

Appendix A

UWMP Checklist

Urban Water Management Plan Checklist (Table I-2, Organized by Legislation)

No.	UWMP Requirement ^a	Additional Clarification	Lake Arrowhead Community Services District
1	Provide baseline daily per capita water use, urban water use target, interim urban water use target, and compliance daily per capita water use, along with the bases for determining those estimates, including references to supporting data.		2.3, 2.4
2	<i>Wholesalers:</i> Include an assessment of present and proposed future measures, programs, and policies to help achieve the water use reductions. <i>Retailers:</i> Conduct at least one public hearing that includes general discussion of the urban retail water supplier's implementation plan for complying with the Water Conservation Bill of 2009.	Retailer and wholesalers have slightly different requirements	1.4.2, Table 1-2, Appendix B
3	Report progress in meeting urban water use targets using the standardized form.	Standardized form not yet available	TBD
4	Each urban water supplier shall coordinate the preparation of its plan with other appropriate agencies in the area, including other water suppliers that share a common source, water management agencies, and relevant public agencies, to the extent practicable.		1.4.1, 1.4.3, Table 1-1
5	An urban water supplier shall describe in the plan water management tools and options used by that entity that will maximize resources and minimize the need to import water from other regions.		1.4.4
6	Every urban water supplier required to prepare a plan pursuant to this part shall, at least 60 days prior to the public hearing on the plan required by Section 10642, notify any city or county within which the supplier provides water supplies that the urban water supplier will be reviewing the plan and considering amendments or changes to the plan. The urban water supplier may consult with, and obtain comments from, any city or county that receives notice pursuant to this subdivision.		1.4.3, notification letters in Appendix B.
7	The amendments to, or changes in, the plan shall be adopted and filed in the manner set forth in Article 3 (commencing with Section 10640).		1.3.2
8	Describe the service area of the supplier		2.2.1, Figure 2-2
9	(Describe the service area) climate		1.6, Table 1-3
10	(Describe the service area) current and projected population . . . The projected population estimates shall be based upon data from the state, regional, or local service agency population projections within the service area of the urban water supplier . . .	Provide the most recent population data possible. Use the method described in "Baseline Daily Per Capita Water Use." See Section M.	2.1, 2.2, Table 2-1, Figures 2-1 to 2-5
11	. . . (population projections) shall be in five-year increments to 20 years or as far as data is available.	2035 and 2040 can also be provided to support consistency with SB610/221 documents.	Table 2-1
12	Describe . . . other demographic factors affecting the supplier's water management planning		1.8

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No.	UWMP Requirement ^a	Additional Clarification	Lake Arrowhead Community Services District
13	Identify and quantify, to the extent practicable, the existing and planned sources of water available to the supplier over the same five-year increments described in subdivision (a).	The 'existing' water sources should be for the same year as the "current population" in line 10. 2035 and 2040 can also be provided to support consistency with SB610/221 documents.	3.2, 3.3, 3.4, 3.6, Table 3-1
14	(Is) groundwater . . . identified as an existing or planned source of water available to the supplier . . . ?	Source classifications are: surface water, groundwater, recycled water, storm water, desalinated seawater, brackish groundwater, and other.	3.4
15	(Provide a) copy of any groundwater management plan adopted by the urban water supplier, including plans adopted pursuant to Part 2.75 (commencing with Section 10750), or any other specific authorization for groundwater management. Indicate whether a groundwater management plan been adopted by the water supplier or if there is any other specific authorization for groundwater management. Include a copy of the plan or authorization.		3.4
16	(Provide a) description of any groundwater basin or basins from which the urban water supplier pumps groundwater.		3.4
17	For those basins for which a court or the board has adjudicated the rights to pump groundwater, (provide) a copy of the order or decree adopted by the court or the board		NA
18	(Provide) a description of the amount of groundwater the urban water supplier has the legal right to pump under the order or decree.		NA
19	For basins that have not been adjudicated, (provide) information as to whether the department has identified the basin or basins as overdrafted or has projected that the basin will become overdrafted if present management conditions continue, in the most current official departmental bulletin that characterizes the condition of the groundwater basin, and a detailed description of the efforts being undertaken by the urban water supplier to eliminate the long-term overdraft condition.		3.4
20	(Provide a) detailed description and analysis of the location, amount, and sufficiency of groundwater pumped by the urban water supplier for the past five years. The description and analysis shall be based on information that is reasonably available, including, but not limited to, historic use records.		3.4.1, Table 3-5
21	(Provide a) detailed description and analysis of the amount and location of groundwater that is projected to be pumped by the urban water supplier. The description and analysis shall be based on information that is reasonably available, including, but not limited to, historic use records.	Provide projections for 2015, 2020, 2025, and 2030.	3.4.1, Table 3-6
22	Describe the reliability of the water supply and vulnerability to seasonal or climatic shortage, to the extent practicable, and provide data for each of the following: (A) An average water year, (B) A single dry water year, (C) Multiple dry water years.		3.2.4, Chapter 6
23	For any water source that may not be available at a consistent level of use - given specific legal, environmental, water quality, or climatic factors - describe plans to supplement or replace that source with alternative sources or water demand management measures, to the extent practicable.		3.4.2

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No.	UWMP Requirement ^a	Additional Clarification	Lake Arrowhead Community Services District
24	Describe the opportunities for exchanges or transfers of water on a short-term or long-term basis.		3.5.1, 3.5.2
25	Quantify, to the extent records are available, past and current water use, and projected water use (over the same five-year increments described in subdivision (a)), identifying the uses among water use sectors, including, but not necessarily limited to, all of the following uses: (A) Single-family residential; (B) Multifamily; (C) Commercial; (D) Industrial; (E) Institutional and governmental; (F) Landscape; (G) Sales to other agencies; (H) Saline water intrusion barriers, groundwater recharge, or conjunctive use, or any combination thereof;(I) Agricultural.	Consider “past” to be 2005, present to be 2010, and projected to be 2015, 2020, 2025, and 2030. Provide numbers for each category for each of these years.	2.3, 2.4, 2.5, Tables 2-3 to 2-5, Figure 2-7
26	(Describe and provide a schedule of implementation for) each water demand management measure that is currently being implemented, or scheduled for implementation, including the steps necessary to implement any proposed measures, including, but not limited to, all of the following: (A) Water survey programs for single-family residential and multifamily residential customers; (B) Residential plumbing retrofit; (C) System water audits, leak detection, and repair; (D) Metering with commodity rates for all new connections and retrofit of existing connections; (E) Large landscape conservation programs and incentives; (F) High-efficiency washing machine rebate programs; (G) Public information programs; (H) School education programs; (I) Conservation programs for commercial, industrial, and institutional accounts; (J) Wholesale agency programs; (K) Conservation pricing; (L) Water conservation coordinator; (M) Water waste prohibition;(N) Residential ultra-low-flush toilet replacement programs.	Discuss each DMM, even if it is not currently or planned for implementation. Provide any appropriate schedules.	Chapter 7
27	A description of the methods, if any, that the supplier will use to evaluate the effectiveness of water demand management measures implemented or described under the plan.		7.7.1
28	An estimate, if available, of existing conservation savings on water use within the supplier's service area, and the effect of the savings on the supplier's ability to further reduce demand.		7.7.2
29	An evaluation of each water demand management measure listed in paragraph (1) of subdivision (f) that is not currently being implemented or scheduled for implementation. In the course of the evaluation, first consideration shall be given to water demand management measures, or combination of measures, that offer lower incremental costs than expanded or additional water supplies. This evaluation shall do all of the following: (1) Take into account economic and noneconomic factors, including environmental, social, health, customer impact, and technological factors; (2) Include a cost-benefit analysis, identifying total benefits and total costs; (3) Include a description of funding available to implement any planned water supply project that would provide water at a higher unit cost; (4) Include a description of the water supplier's legal authority to implement the measure and efforts to work with other relevant agencies to ensure the implementation of the measure and to share the cost of implementation.	See 10631(g) for additional wording.	7.2.2, 7.2.4
30	(Describe) all water supply projects and water supply programs that may be undertaken by the urban water supplier to meet the total projected water use as established pursuant to subdivision (a) of Section 10635. The urban water supplier shall include a detailed description of expected future projects and programs, other than the demand management programs identified pursuant to paragraph (1) of subdivision (f), that the urban water supplier may implement to increase the amount of the water supply available to the urban water supplier in average, single-dry, and multiple-dry water years. The description shall identify specific projects and include a description of the increase in water supply that is expected to be available from each project. The description shall include an estimate with regard to the implementation timeline for each project or program.		3.6
31	Describe the opportunities for development of desalinated water, including, but not limited to, ocean water, brackish water, and groundwater, as a long-term supply.		3.7

Urban Water Management Plan Checklist (Table I-2, Organized by Legislation)

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32	Include the annual reports submitted to meet the Section 6.2 requirement (of the MOU), if a member of the CUWCC and signer of the December 10, 2008 MOU.	Signers of the MOU that submit the annual reports are deemed compliant with Items 28 and 29.	Appendix F
33	Urban water suppliers that rely upon a wholesale agency for a source of water shall provide the wholesale agency with water use projections from that agency for that source of water in five-year increments to 20 years or as far as data is available. The wholesale agency shall provide information to the urban water supplier for inclusion in the urban water supplier's plan that identifies and quantifies, to the extent practicable, the existing and planned sources of water as required by subdivision (b), available from the wholesale agency to the urban water supplier over the same five-year increments, and during various water-year types in accordance with subdivision (c). An urban water supplier may rely upon water supply information provided by the wholesale agency in fulfilling the plan informational requirements of subdivisions (b) and (c).	Average year, single dry year, multiple dry years for 2015, 2020, 2025, and 2030.	3.2
34	The water use projections required by Section 10631 shall include projected water use for single-family and multifamily residential housing needed for lower income households, as defined in Section 50079.5 of the Health and Safety Code, as identified in the housing element of any city, county, or city and county in the service area of the supplier.		2.4.2
35	Stages of action to be undertaken by the urban water supplier in response to water supply shortages, including up to a 50 percent reduction in water supply, and an outline of specific water supply conditions which are applicable to each stage.		8.6.1
36	Provide an estimate of the minimum water supply available during each of the next three water years based on the driest three-year historic sequence for the agency's water supply.		8.3, Table 8-1
37	(Identify) actions to be undertaken by the urban water supplier to prepare for, and implement during, a catastrophic interruption of water supplies including, but not limited to, a regional power outage, an earthquake, or other disaster.		8.4
38	(Identify) additional, mandatory prohibitions against specific water use practices during water shortages, including, but not limited to, prohibiting the use of potable water for street cleaning.		8.5
39	(Specify) consumption reduction methods in the most restrictive stages. Each urban water supplier may use any type of consumption reduction methods in its water shortage contingency analysis that would reduce water use, are appropriate for its area, and have the ability to achieve a water use reduction consistent with up to a 50 percent reduction in water supply.		8.6
40	(Indicated) penalties or charges for excessive use, where applicable.		8.7
41	An analysis of the impacts of each of the actions and conditions described in subdivisions (a) to (f), inclusive, on the revenues and expenditures of the urban water supplier, and proposed measures to overcome those impacts, such as the development of reserves and rate adjustments.		8.8
42	(Provide) a draft water shortage contingency resolution or ordinance.		8.9, Appendix D
43	(Indicate) a mechanism for determining actual reductions in water use pursuant to the urban water shortage contingency analysis.		8.10
44	Provide, to the extent available, information on recycled water and its potential for use as a water source in the service area of the urban water supplier. The preparation of the plan shall be coordinated with local water, wastewater, groundwater, and planning agencies that operate within the supplier's service area	4.3.2	Chapter 4
45	(Describe) the wastewater collection and treatment systems in the supplier's service area, including a quantification of the amount of wastewater collected and treated and the methods of wastewater disposal.	4.3.2	4.3.1, Tables 4-1, 4-2, 4-4

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No.	UWMP Requirement ^a	Additional Clarification	Lake Arrowhead Community Services District
46	(Describe) the quantity of treated wastewater that meets recycled water standards, is being discharged, and is otherwise available for use in a recycled water project.		4.3.4, 4.4, Tables 4-5 to 4-9
47	(Describe) the recycled water currently being used in the supplier's service area, including, but not limited to, the type, place, and quantity of use.		4.4.1, Table 4-6
48	(Describe and quantify) the potential uses of recycled water, including, but not limited to, agricultural irrigation, landscape irrigation, wildlife habitat enhancement, wetlands, industrial reuse, groundwater recharge, indirect potable reuse, and other appropriate uses, and a determination with regard to the technical and economic feasibility of serving those uses.		4.4.2, Table 4-7
49	(Describe) The projected use of recycled water within the supplier's service area at the end of 5, 10, 15, and 20 years, and a description of the actual use of recycled water in comparison to uses previously projected pursuant to this subdivision.		4.4.3, Table 4-8
50	(Describe the) actions, including financial incentives, which may be taken to encourage the use of recycled water, and the projected results of these actions in terms of acre-feet of recycled water used per year.		4.5
51	(Provide a) plan for optimizing the use of recycled water in the supplier's service area, including actions to facilitate the installation of dual distribution systems, to promote recirculating uses, to facilitate the increased use of treated wastewater that meets recycled water standards, and to overcome any obstacles to achieving that increased use.		4.4.3
52	The plan shall include information, to the extent practicable, relating to the quality of existing sources of water available to the supplier over the same five-year increments as described in subdivision (a) of Section 10631, and the manner in which water quality affects water management strategies and supply reliability.	For years 2010, 2015, 2020, 2025, and 2030	Chapter 5
53	Every urban water supplier shall include, as part of its urban water management plan, an assessment of the reliability of its water service to its customers during normal, dry, and multiple dry water years. This water supply and demand assessment shall compare the total water supply sources available to the water supplier with the total projected water use over the next 20 years, in five-year increments, for a normal water year, a single dry water year, and multiple dry water years. The water service reliability assessment shall be based upon the information compiled pursuant to Section 10631, including available data from state, regional, or local agency population projections within the service area of the urban water supplier.		6.2, 6.3, 6.4, Tables 6-1 to 6-4
54	The urban water supplier shall provide that portion of its urban water management plan prepared pursuant to this article to any city or county within which it provides water supplies no later than 60 days after the submission of its urban water management plan.		Appendix B
55	Each urban water supplier shall encourage the active involvement of diverse social, cultural, and economic elements of the population within the service area prior to and during the preparation of the plan.		1.4.1, 1.4.3, Table 1-1
56	Prior to adopting a plan, the urban water supplier shall make the plan available for public inspection and shall hold a public hearing thereon. Prior to the hearing, notice of the time and place of hearing shall be published within the jurisdiction of the publicly owned water supplier pursuant to Section 6066 of the Government Code. The urban water supplier shall provide notice of the time and place of hearing to any city or county within which the supplier provides water supplies. A privately owned water supplier shall provide an equivalent notice within its service area.		1.4.2, 1.4.3, Table 1-2, Appendix B
57	After the hearing, the plan shall be adopted as prepared or as modified after the hearing.		1.4.2, Table 1-2

Urban Water Management Plan Checklist (Table I-2, Organized by Legislation)

No.	UWMP Requirement ^a	Additional Clarification	Lake Arrowhead Community Services District
58	An urban water supplier shall implement its plan adopted pursuant to this chapter in accordance with the schedule set forth in its plan.		1.4.2, Table 1-2
59	An urban water supplier shall submit to the department, the California State Library, and any city or county within which the supplier provides water supplies a copy of its plan no later than 30 days after adoption. Copies of amendments or changes to the plans shall be submitted to the department, the California State Library, and any city or county within which the supplier provides water supplies within 30 days after adoption.		1.4.2
60	Not later than 30 days after filing a copy of its plan with the department, the urban water supplier and the department shall make the plan available for public review during normal business hours.		1.4.2

a) The UWMP Requirement descriptions are general summaries of what is provided in the legislation. Urban water suppliers should review the exact legislative wording prior to submitting its UWMP.

b) The Subject classification is provided for clarification only. It is aligned with the organization presented in Part 1 of this guidebook. A water supplier is free to address the UWMP Requirement anyv

Appendix B

Public Outreach Materials

Review of Draft UWMP Documentation



MEMORANDUM

Date: March 1, 2011
To: Board of Directors
From: John E. Hoagland, General Manager *JH*
Subject: Urban Water Management Plan – Internal Draft Review

Attached for your review is an internal draft of the 2010 Urban Water Management Plan (UWMP) for LACSD.

This internal draft is not available for public or media review but is to solicit comments and feedback from individual directors based on your unique knowledge and perspective of our water service area.

Please submit your comments back to me or Kathleen by Monday March 14, 2011, close of business. Note that hand written comments and/or interlineation are perfectly acceptable. We will transmit your comments to Kennedy/Jenks to assist in preparation of the public review Draft UWMP. You will receive a copy of the public review Draft.

Please don't hesitate to contact me if you have questions that arise during your review of the internal draft document.

Attachments:

-Internal Draft Urban Water Management Plan



Lake Arrowhead Community Services District

AGENDA ***SPECIAL MEETING OF THE BOARD OF DIRECTORS***

DATE: **March 1, 2011**

TIME: **6:30 p.m.**

LACSD BOARD OF DIRECTORS
P.O. Box 700
Lake Arrowhead, CA 92352

POSTING: This agenda was
posted prior to 5:00 p.m. on
February 24, 2011 at the
Board Room, and District
Office

MEETING LOCATION
Willow Creek Board Room
840 Willow Creek Road
Lake Arrowhead, CA 92352

- A. CALL TO ORDER** – Geoffrey K. Goss, President
- B. PLEDGE OF ALLEGIANCE TO THE FLAG**
- C. AGENDA POSTING CERTIFICATION**
- D. ROLL CALL**
- E. APPROVAL OF AGENDA (Additions and/or Deletions)**

- F. PUBLIC COMMENT**
This portion of the agenda is reserved for the public to speak to the Board of Directors on matters within the jurisdiction of the Lake Arrowhead Community Services District, that are not on the agenda.
No action may be taken by the Board, except to refer the matter to staff

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Kathleen Field, Board Secretary (909) 336-7117. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.102-35.104 ADA Title II).

All public records relating to an agenda item on this agenda are available for public inspection at the time the records are distributed to all, or a majority of all, members of the Board. Such records shall be available at the District office located at 28200 State Highway 189, Suite 03-160, Lake Arrowhead, CA 92352 and our website at www.lakearrowheadcsd.com.

and/or place it on a future agenda. It is in the best interest of the person speaking to the Board to be concise and to the point. **A time limit of five minutes per individual will be allowed.**

Any person wishing to comment on an item that is on the agenda is requested to complete a request to speak form prior to the item being called for consideration. The form is submitted to the Clerk of the Board.

G. INFORMATION ITEM

1. 2010 Urban Water Management Plan (UWMP) Draft Presentation.

This is an information item.

(Presenter: Sandra Carlson, Kennedy Jenks Consultants)

H. BOARD MEMBER COMMENTS

I. GENERAL MANAGER COMMENTS

J. ADJOURNMENT

NOTICE:

**You Are Invited
to Attend
and Participate**

Regular Meeting of the Board of Directors

Feb. 22nd, 2011 6:30 p.m.

Special Board Meeting Urban Water Management Plan Presentation

March 1, 2011, 6:30 p.m.

Lake Arrowhead



Community Services District

DISTRICT BOARD ROOM

840 Willow Creek Road
Lake Arrowhead, CA 92352

Agendas are available 5 days
prior to public meetings at the
District office and on the website.
E-notice available by subscription.

Note: Audio of the Proceedings
Will be Posted to the District Website

The Lake Arrowhead Community Services District
Board of Directors may be contacted as follows:
P.O. Box 700, Lake Arrowhead, CA 92352

(909) 336-7100 or www.lakearrowheadcsd.com

NOTICE:

**You Are Invited
to Attend
and Participate**

Regular Meeting of the Board of Directors

March 8th, 2011 6:30 p.m.

Special Board Meeting Urban Water Management Plan Presentation

March 1, 2011, 6:30 p.m.

Lake Arrowhead



Community Services District

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Urban Water Management Plan - Mailing List

Name	Attention		Address	City	State	Zip	Phone
Association of Building Contractors	John Padore		PO Box 141	Lake Arrowhead	CA	92352	(909) 337-6377
Arrowhead Lake Association	John Rutledge	General Manager	PO Box 1119	Lake Arrowhead	CA	92352	(909) 337-2595
Arrowhead Woods Architectural Committee	Stacey McKay	Executive Director	PO Box 2026	Lake Arrowhead	CA	92352	(909) 336-2755
Lake Arrowhead Chamber of Commerce	Lewis Murray		PO Box 219	Lake Arrowhead	CA	92352	(909) 337-3715
Lake Arrowhead Board of Realtors	Kriss Grove		PO Box 879	Lake Arrowhead	CA	92352	(909) 337-2473
Lake Arrowhead Municipal Advisory Council CSA69	Voni Saxbury		385 N. Arrowhead Av	San Bernardino	CA	92415	(909) 387-3841
County of San Bernardino - Land Use Services	Building and Safety Division		PO Box 709	Twin Peaks	CA	92391	(909) 336-0640
Local Agency Formation Commission	Kathleen Rollings-McDonald		215 North D Street	San Bernardino	CA	92415	(909) 383-9900
Alpine Water Users Association	Mr. Phillip Broda	General Manager	PO Box 122	Twin Peaks	CA	92391	(909) 337-2845
County of San Bernardino Land Use Services Department	Mr. Pat McGuckian	Supervising Planner	385 North Arrowhead	San Bernardino	CA	92415-0181	(909) 387-4147
County of San Bernardino Special Districts Dept							
Water and Sanitation Division			PO Box 5004	Victorville	CA	92393-5004	(760) 955-9885
Crestline Lake Arrowhead Water Agency	Ms. Roxanne Holmes	General Manager	PO Box 3880	Crestline	CA	92325	(909) 338-1779
Crestline Village Water District	Mr. Karl B. Drew	General Manager	PO Box 3347	Crestline	CA	92325-3347	(909) 338-1727
Arrowhead Villas Mutual Services Company			PO Box 77	Sky Forest	CA	92385	(909) 337-4259
Running Springs Water District	Mr. Sam G. Massey	General Manager	PO Box 2206	Running Springs	CA	92382	(909) 867-2766
Big Bear Department of Water and Power	Dani McGee	Administrative Manager	PO Box 1929	Big Bear Lake	CA	92315	(909) 866-5050
San Bernardino Valley Municipal Water District	Mr. Douglas Headrick	General Manager	380 E Vanderbilt Way	San Bernardino	CA	92408	(909) 387-9200
Sky Forest Mutual Water Company	Mr. Todd Pahl	General Manager	PO Box 3	Sky Forest	CA	92385	(909) 336-0851
Strawberry Lodge Mutual Water Company			PO Box 7	Twin Peaks	CA	92391	(909) 337-4612
Mojave Water Agency	Mr. Kirby Prill, P.E.	General Manager	22450 Headquarters	Apple Valley	CA	92307-4304	(760) 946-7000
Special Districts Department	Mr. Jeff Rigney	Director	157 West Fifth St., 2nd	San Bernardino	CA	92415	(909) 387-5940



February 8, 2011

John Padore
Association of Building Contractors
PO Box 141
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Mr. Padore:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

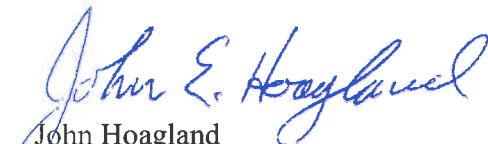
In an effort to ensure all interested parties are fully informed and involved in this process, the District has scheduled a special Board meeting on March 1, 2011 and welcomes your participation. This meeting will provide the most current information on components of the UWMP.

The Urban Water Management Plan evaluates the community's future water supply, describes the long-range water demands of the community under various climate scenarios and describes the strategies to supply the necessary water.

Date: Tuesday, March 1, 2011
Time: 6:30 pm
Location: Lake Arrowhead Community Services District Board Room
850 Willow Creek Rd

The District encourages your participation and attendance. If you have any questions, please feel free to contact Mr. Lippert.

On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

John Rutledge
General Manager
Arrowhead Lake Association
PO Box 1119
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Mr. Rutledge:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

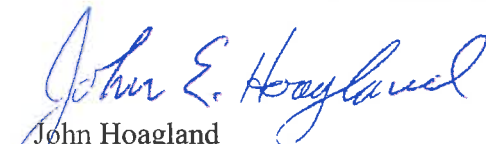
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Stacey McKay
Executive Director
Arrowhead Woods Architectural Committee
PO Box 2026
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Ms. McKay:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

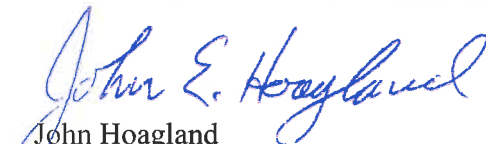
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Lewis Murray
Lake Arrowhead Chamber of Commerce
PO Box 219
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Mr. Murray:

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Time: 6:30 pm
Location: Lake Arrowhead Community Services District Board Room
850 Willow Creek Rd

The District encourages your participation and attendance. If you have any questions, please feel free to contact Mr. Lippert.

On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Kriss Grove
Lake Arrowhead Board of Realtors
PO Box 879
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Ms. Grove:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

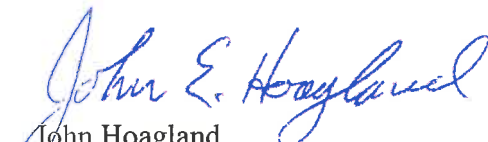
In an effort to ensure all interested parties are fully informed and involved in this process, the District has scheduled a special Board meeting on March 1, 2011 and welcomes your participation. This meeting will provide the most current information on components of the UWMP.

The Urban Water Management Plan evaluates the community's future water supply, describes the long-range water demands of the community under various climate scenarios and describes the strategies to supply the necessary water.

Date: Tuesday, March 1, 2011
Time: 6:30 pm
Location: Lake Arrowhead Community Services District Board Room
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Voni Saxbury
Lake Arrowhead Municipal Advisory Council CSA69
385 N Arrowhead Avenue
San Bernardino, CA 92415

Subject: 2010 Urban Water Management Plan

Dear Ms. Saxbury:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

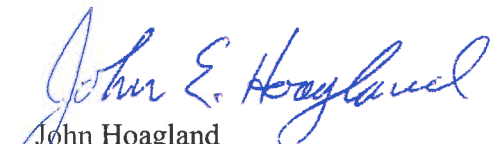
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Building and Safety Division
County of San Bernardino - Land Use Services
PO Box 709
Twin Peaks, CA 92391

Subject: 2010 Urban Water Management Plan

To Whom It May Concern:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

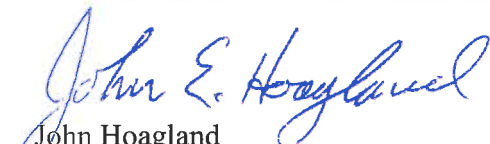
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850 Willow Creek Rd

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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Kathleen Rollings-McDonald
Local Agency Formation Commission
215 North D Street
San Bernardino, CA 92415

Subject: 2010 Urban Water Management Plan

Dear Ms. Rollings-McDonald:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

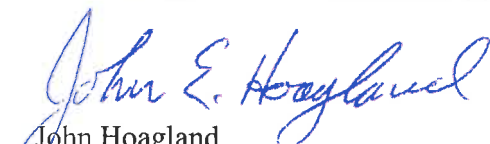
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Time: 6:30 pm
Location: Lake Arrowhead Community Services District Board Room
850 Willow Creek Rd

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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Mr. Phillip Broda
General Manager
Alpine Water Users Association
PO Box 122
Twin Peaks, CA 92391

Subject: 2010 Urban Water Management Plan

Dear Mr. Broda:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

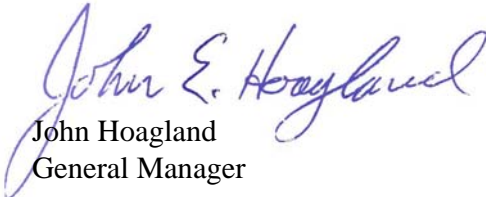
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Mr. Pat McGuckian
Supervising Planner
County of San Bernardino Land Use Services Department
385 North Arrowhead Ave., 1st Floor
San Bernardino, CA 92415-0182

Subject: 2010 Urban Water Management Plan

Dear Mr. McGuckian:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

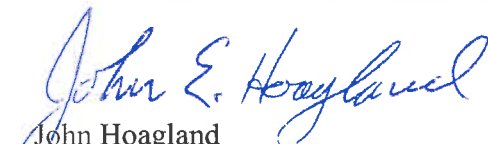
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

County of San Bernardino Special Districts Dept
Water and Sanitation Division
PO Box 5004
Victorville, CA 92393-5004

Subject: 2010 Urban Water Management Plan

To Whom It May Concern:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

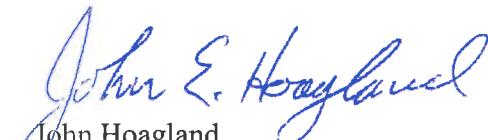
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Ms. Roxanne Holmes
General Manager
Crestline Lake Arrowhead Water Agency
PO Box 3880
Crestline, CA 92325

Subject: 2010 Urban Water Management Plan

Dear Ms. Holmes:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

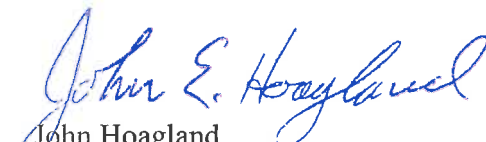
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Mr. Karl B. Drew
General Manager
Crestline Village Water District
PO Box 3347
Crestline, CA 92325-3347

Subject: 2010 Urban Water Management Plan

Dear Mr. Drew:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

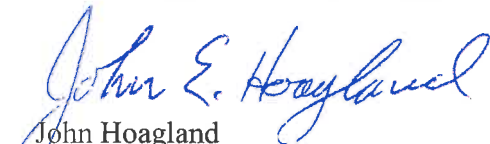
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Arrowhead Villas Mutual Services Company
PO Box 77
Sky Forest, CA 92385

Subject: 2010 Urban Water Management Plan

To Whom It May Concern:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

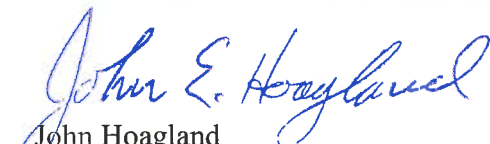
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Mr. Sam G. Massey
General Manager
Running Springs Water District
PO Box 2206
Running Springs, CA 92382

Subject: 2010 Urban Water Management Plan

Dear Mr. Massey:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

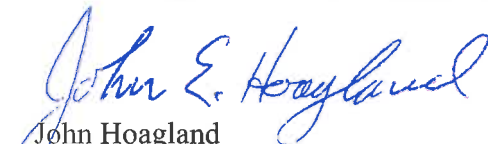
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Dani McGee
Administrative Manager
Big Bear Department of Water and Power
PO Box 1929
Big Bear Lake, CA 92315

Subject: 2010 Urban Water Management Plan

Dear Ms. McGee:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

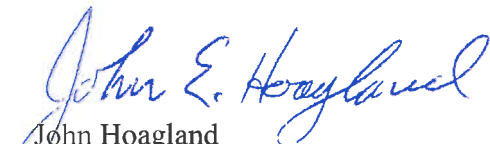
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Location: Lake Arrowhead Community Services District Board Room
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Mr. Douglas Headrick
General Manager
San Bernardino Valley Municipal Water District
380 E Vanderbilt Way
San Bernardino, CA 92408

Subject: 2010 Urban Water Management Plan

Dear Mr. Headrick:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

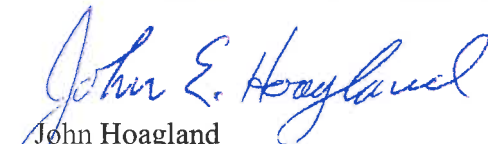
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850 Willow Creek Rd

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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Mr. Todd Pahl
General Manager
Sky Forest Mutual Water Company
PO Box 3
Sky Forest, CA 92385

Subject: 2010 Urban Water Management Plan

Dear Mr. Pahl:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

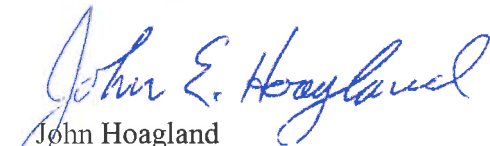
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Strawberry Lodge Mutual Water Company
PO Box 7
Twin Peaks, CA 92391

Subject: 2010 Urban Water Management Plan

To Whom It May Concern:

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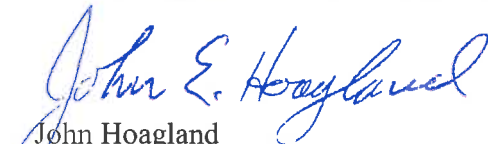
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Mr. Kirby Prill, P.E.
General Manager
Mojave Water Agency
22450 Headquarters Dr
Apple Valley, CA 92307-4304

Subject: 2010 Urban Water Management Plan

Dear Mr. Prill:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

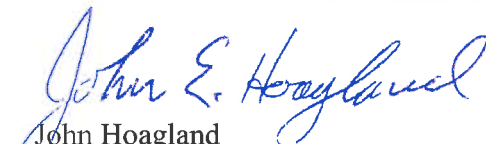
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



February 8, 2011

Mr. Jeff Rigney
Special Districts Department
157 West Fifth St., 2nd Floor
San Bernardino, CA 92415

Subject: 2010 Urban Water Management Plan

Dear Mr. Rigney:

The Lake Arrowhead Community Services District is currently preparing its 2010 Urban Water Management Plan (UWMP).

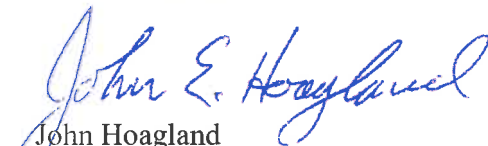
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113

Public Meeting Notice Documentation

NOTICE:

**You Are Invited
to Attend
and Participate**

**Regular Meeting of the
Board of Directors**
May 24th, 2011 6:30 p.m.

Special Board Meeting
Urban Water Management
Plan Public Hearing
June 7, 2011, 6:30 p.m.

Lake Arrowhead



Community Services District

DISTRICT BOARD ROOM

840 Willow Creek Road
Lake Arrowhead, CA 92352

Agendas are available 5 days
prior to public meetings at the
District office and on the website.
E-notice available by subscription.

***Note:** Audio of the Proceedings
Will be Posted to the District Website*

The Lake Arrowhead Community Services District
Board of Directors may be contacted as follows:
P.O. Box 700, Lake Arrowhead, CA 92352

(909) 336-7100 or www.lakearrowheadcsd.com

Sandra Carlson

From: Marc Lippert [mlippert@lakearrowheadcsd.com]
Sent: Wednesday, March 02, 2011 2:50 PM
To: Sandra Carlson
Subject: FW: Draft Urban Water Management Plan
Attachments: LakeArrowhead_UWMP_1089016_DRAFT.PDF; 2011-Mar-01 UWMP Draft Memo.pdf

Sandra,

Director Goodwin was unable to attend last night's meeting. I wasn't sure if you needed this email showing that we sent him a copy of the draft 2010 UWMP.

Regards,

Marc Lippert
Water Use Efficiency Coordinator
Lake Arrowhead CSD
(909) 336-7113

From: Kathleen Field
Sent: Wednesday, March 02, 2011 11:41 AM
To: Glenn T. Goodwin, CPIA (ggoodwin@goodwininsuranceagency.com)
Cc: John Hoagland; Marc Lippert
Subject: Draft Urban Water Management Plan

Director Goodwin,

Attached for your review is the 2010 Urban Water Management Plan internal draft and memo from General Manager Hoagland that was distributed to the Board last.

Best regards,

Kathleen Field

Executive Assistant
Lake Arrowhead Community
Services District
(909) 336-7117

Sandra Carlson

From: Marc Lippert [mlippert@lakearrowheadcsd.com]
Sent: Monday, March 14, 2011 8:26 AM
To: Sandra Carlson
Subject: FW: UWMP

Good Morning Sandra,

Please include this in the UWMP.

Thanks,

Marc Lippert
Water Use Efficiency Coordinator
Lake Arrowhead CSD
(909) 336-7113

From: Kathleen Field
Sent: Friday, March 11, 2011 12:17 PM
To: Marc Lippert
Subject: UWMP

Hi Marc,

Sam Martinez from LAFCO called on March 1, 2011 to ask if the District would be posting the March 1, 2011 Board meeting audio which would contain the presentation on the Urban Water Manager Plan to the District's website. He was informed that it would be posted the following day.

Kathleen Field

**Executive Assistant
Lake Arrowhead Community
Services District
(909) 336-7117**

Sandra Carlson

From: Marc Lippert [mlippert@lakearrowheadcsd.com]
Sent: Tuesday, March 22, 2011 10:33 AM
To: tcummings@mountain-news.com
Cc: Kathy Kimmet (classifieds@mountain-news.com); Sandra Carlson; John Hoagland
Subject: FW: Notice for UWMP

Teresa,

Please run the following legal notice this Thursday the 24th and next Thursday the 31st in the Mountain News only.

The 2010 Lake Arrowhead Community Services District Urban Water Management Plan ("UWMP") is now available for public review. The UWMP sets forth the future water availability and projected water use within the District's service area. The District produced the UWMP in compliance with the California Urban Water Management Planning Act (California Water Code §§10610 - 10656).

The Act states that every urban water supplier that provides water to 3,000 or more customers, or that provides over 3,000 acre-feet of water annually, should make every effort to ensure the appropriate level of reliability in its water service sufficient to meet the needs of its various categories of customers during normal, dry, and multiple dry years. The Act describes the contents of the UWMP as well as how urban water suppliers should adopt and implement the plans, requiring an update of the plan every five years.

Copies of the District's UWMP are available at the District's offices, located at 28200 State HWY 189, Suite O3-160, Lake Arrowhead, California. The District will consider adoption of the UWMP at a special public meeting of the Board of Directors, June 1, 2011, held at the District Board Room, located at 840 Willow Creek Road, Lake Arrowhead, CA. Written comments on the UWMP should be sent to Kathleen Field, Secretary to the Board of Directors, PO Box 700, Lake Arrowhead, CA 92352, or delivered to the District offices (address noted above). All submittals should be received by the District at least five (5) calendar days prior to the hearing date for inclusion in the information packets.

Thanks,

Marc

Marc Lippert
Water Use Efficiency Coordinator
Lake Arrowhead CSD
(909) 336-7113

From: John Hoagland
Sent: Tuesday, March 22, 2011 10:01 AM
To: Marc Lippert
Cc: Kathleen Field
Subject: Notice for UWMP

Marc,
The Language is below. Publish 3/24 and 3/31.

Jack

John Hoagland
General Manager
Lake Arrowhead Community Services District
Phone: 909-336-7102
E-mail: jhoagland@lakearrowheadcsd.com

The 2010 Lake Arrowhead Community Services District Urban Water Management Plan ("UWMP") is now available for public review. The UWMP sets forth the future water availability and projected water use within the District's service area. The District produced the UWMP in compliance with the California Urban Water Management Planning Act (California Water Code §§10610 - 10656).

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PROOF OF PUBLICATION

(2015.5 C.C.P.)

STATE OF CALIFORNIA COUNTY OF SAN BERNARDINO,

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years,

and not a party to or interested in the above entitled matter. I am the principal clerk of Mountain News, a newspaper of general circulation, published by Hi Desert Publishing Co. Inc., in the unincorporated area of Lake Arrowhead, County of San Bernardino, and which newspaper has been adjudicated a newspaper of general circulation by the Superior Court of the County of San Bernardino, State of California, under date of October 5, 1950, Case Number 67902; that the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates to-wit: March 24 and 31

all in the year 2011.

I certify (or declare) under penalty of perjury that the fore going is true and correct.

Signature

Theresa Cummings

4/1/11 Lake Arrowhead, CA

Date and Place

This Space is for the Stamp.

PROOF OF PUBLICATION

Lake Arrowhead



Community Services District

Public Notice

The 2010 Lake Arrowhead Community Services District Urban Water Management Plan ("UWMP") is now available for public review. The UWMP sets forth the future water availability and projected water use within the District's service area. The District produced the UWMP in compliance with the California Urban Water Management Planning Act (California Water Code §810610 - 10656).

The Act states that every urban water supplier that provides water to 3,000 or more customers, or that provides over 3,000 acre-feet of water annually, should make every effort to ensure the appropriate level of reliability in its water service sufficient to meet the needs of its various categories of customers during normal, dry, and multiple dry years. The Act describes the contents of the UWMP as well as how urban water suppliers should adopt and implement the plans, requiring an update of the plan every five years.

Copies of the District's UWMP are available at the District's offices, located at 28200 State HWY 189, Suite O3-160, Lake Arrowhead, California. The District will consider adoption of the UWMP at a special public meeting of the Board of Directors, June 1, 2011, held at the District Board Room, located at 840 Willow Creek Road, Lake Arrowhead, CA. Written comments on the UWMP should be sent to Kathleen Field, Secretary to the Board of Directors, PO Box 700, Lake Arrowhead, CA 92352, or delivered to the District offices (address noted above). All submittals should be received by the District at least five (5) calendar days prior to the hearing date for inclusion in the information packets.

Published in the Mountain News March 24 and 31, 2011

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

***MINUTES OF A SPECIAL MEETING
OF THE BOARD OF DIRECTORS***

DATE: March 1, 2011

TIME: 6:30 p.m.

PLACE: Willow Creek Board Room
840 Willow Creek Road
Lake Arrowhead, CA 92352

ATTENDANCE: ***Board Members Present:***
Geoffrey K. Goss
Ralph Wagner
James Williamson

Board Members Absent:
Glenn Goodwin

Others Present:
John E. Hoagland, General Manager
Kathleen Field, Board Secretary
Marc Lippert, Water Use Efficiency Coordinator
Ryan Gross, District Engineer
Sandra Carlson, Kennedy /Jenks Consultants
Mary Lou Cotton, Kennedy/Jenks Consultants
Mark Veysey, Water Resource Planner
Phil Broda, Alpine Water Users Association
Jeff Rigney, San Bernardino County Special
Districts Department

The Meeting was called to Order at 6:30 p.m. by Geoffrey K. Goss President, who led those present in the Pledge of Allegiance to the Flag of the United States of America. Board Secretary Field certified the proper posting of the Agenda and called roll.

APPROVAL OF AGENDA

The Board by consensus approved the March 1, 2011 Special Board Meeting Agenda as presented.

PUBLIC COMMENT

There was no Public Comment.

President Goss expressed his sympathy at the passing of Director David Ben-Hur on February 25, 2011 and conveyed his sentiments to the Ben-Hur family. President Goss added that David Ben-Hur would greatly be missed.

INFORMATION ITEM

1. 2010 Urban Water Management Plan (UWMP) Draft Presentation.

General Manager Hoagland introduced Mary Lou Cotton and Sandra Carlson from Kennedy/Jenks Consultants who gave a brief background on their qualifications.

Ms. Cotton reported that the Urban Water Management Planning Act is part of the California Water Code. Urban Water Management Plans (UWMP) are prepared by California's urban water suppliers to support their long-term resource planning and ensure adequate water supplies are available to meet existing and future water demands. Every urban water supplier that either delivers over 3,000 acre-feet of water annually or serves more than 3,000 connections is required to assess the reliability of its water sources over a 20-year planning horizon considering normal, dry, and multiple dry year demand scenarios. The assessment is included in the UWMP, updates of which are prepared every 5 years and submitted to the Department of Water Resources (DWR). The DWR reviews the submitted plans to ensure compliance with the requirements identified in the Urban Water Management Planning (UWMP) Act.

Mary Lou Cotton and Sandra Carlson delivered an informational PowerPoint presentation on the internal draft 2010 Urban Water Management Plan which outlined the following:

- Overview of the UWMP Act Requirements
- Lake Arrowhead Community Services District (LACSD) Water Supplies
- State Water Project Reliability Update
- LACSD Water Demand Analysis
- SBX7-7 ("20% X 2020") Calculations and Targets
- Process for Determining SBX7-7 Base Use and Gallons Per Capita Per Day (GPCD) Reduction Targets

- Gallons Per Capita Per Day (GPCD) Target Demand Reduction Options and Calculations
- LACSD's Existing Water Supplies for Average and Normal Years
- LACSD'S Existing and Planned Water Supplies Average and Normal Years
- LACSD's Projected Water Demands Average and Normal Years
- Urban Water Management Plan Schedule
 - June 7, 2011 Public Hearing
 - June 28, 2011 Proposed Adoption of the UWMP

General Manager Hoagland referred to the draft Urban Water Management Plan document and commented that it was an internal draft not available for the public or media review but to solicit comments and feedback from the individual directors based on their unique knowledge and perspective of the water service area. The General Manager requested that the Board members return the internal draft with their comments by March 14, 2011 and that a revised draft would be available for the public on March 24, 2011.

BOARD MEMBER COMMENTS

There were no Board Member Comments.

GENERAL MANAGER COMMENTS

General Manager Hoagland reported that the Executive Committee meeting would be held on March 2, 2011 and the next regular Board meeting was scheduled for March 8, 2011.

ADJOURNMENT

Vice President Wagner **MOVED** and Director Williamson **SECONDED** to adjourn the meeting. The meeting was Adjourned at 7:11 p.m.

Kathleen Field

Kathleen Field
Board Secretary



Community Services District

PUBLIC INFORMATION REQUEST FORM

Date: May 25, 2011
 I, Gail Fry, representing The Alpenhorn News
 (Name) (Company/Self/Etc.)

hereby request certain public records pursuant to the California Public Records Act, Government Code sections 6250-6268:

PLEASE DESCRIBE THE DOCUMENT(S)/INFORMATION THAT YOU WOULD LIKE COPIES OF, INCLUDING THE APPROPRIATE DATE/TIME FRAME AS NECESSARY. ALSO, PLEASE INDICATE THE NUMBER OF COPIES.

<u>2010 Urban Water Management Plan Draft</u>
<u>1 - copy</u>

I understand that for the first 50 pages I request, per year, are complimentary, and that I will be charged \$.05 for every page thereafter. I agree to pay for those copies before receiving the material. I also understand that my public information request form and information will be posted on the District's website.

Signature: Gail C. Fry
 Name: Gail C. Fry
 (Please Print)
Telephone: 909 338-8400Address: P.O. Box 4572, Crestline, Ca 92325

NOTE: Legal public records (subject to attorney-client privilege and any other applicable provisions of law) should be requested directly from the District's legal counsel: BEST BEST & KRIEGER (Jeff Ferre), P.O. Box 1028, Riverside, CA 92502 - (909) 686-1450. The District reserves the right to delete any portion of the material requested that is exempt by applicable provisions of law, but will provide the remainder of the information as requested.

FOR DISTRICT USE ONLY

No. of complimentary pages: _____ No. of pages @ \$.05 per page: _____

Other Costs (e.g. maps, large format copies, DVDs, etc): _____

Total Amount Due: _____ Date Notified: _____

Actual Staff Time: _____ Staff Signature: _____

Sandra Carlson

From: John Hoagland [jhoagland@lakearrowheadcsd.com]
Sent: Wednesday, April 13, 2011 9:17 AM
To: Marc Lippert
Subject: FW: 2010 Urban Water Management Plan

Marc,
As you requested. Sorry I forgot to copy you.

Jack

John Hoagland
General Manager
Lake Arrowhead Community Services District
Phone: 909-336-7102
E-mail: jhoagland@lakearrowheadcsd.com

From: John Hoagland
Sent: Tuesday, April 12, 2011 2:53 PM
To: 'Gail Fry'
Cc: Kathleen Field
Subject: RE: 2010 Urban Water Management Plan

Hi Gail,
The Urban Water Management Plan is a State required document for all retail water providers with more than 3,000 customers or delivering more than 3,000 acre-feet of water per year. It provides a basis for evaluating water supply availability over a set forward looking time frame (in LACSD's case 25 years) and specific weather scenarios. This round also includes analysis and projections of how the agency will meet the "20 X 2020" (20% reduction in per capita water use statewide by the year 2020) requirement adopted by the State. Although not specifically "the" document, the UWMP will provide important information to the Board of Directors in evaluating the effectiveness of Ordinance No. 65 and the need to continue or modify it in the future (limiting the number of new water meters per month).

Hope this is helpful

Jack

John Hoagland
General Manager
Lake Arrowhead Community Services District
Phone: 909-336-7102
E-mail: jhoagland@lakearrowheadcsd.com

From: Gail Fry [mailto:civicusanews@yahoo.com]
Sent: Tuesday, April 12, 2011 11:19 AM
To: John Hoagland
Subject: 2010 Urban Water Management Plan

I would like a comment from you regarding what this document will be used for, which I believe will be to set the policy for the board as to how many construction permits will be able to be issued per year, etc.

Who develops this policy for presentation to the board and when would the board consider any new policies regarding construction permits.

Thank you,

Gail Fry
The Alpenhorn News

Sandra Carlson

From: John Hoagland [jhoagland@lakearrowheadcsd.com]
Sent: Tuesday, April 12, 2011 1:42 PM
To: Marc Lippert
Subject: FW: 2010 Urban Water Management Plan

Call me re: this question.

Jack

John Hoagland
General Manager
Lake Arrowhead Community Services District
Phone: 909-336-7102
E-mail: jhoagland@lakearrowheadcsd.com

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Thank you,

Gail Fry
The Alpenhorn News

**2010 DRAFT Urban Water Management Plan
Mailing List 03/24/2011**

Name	Attention	Address	City	State	Zip	Phone
Association of Building Contractors	John Padore	PO Box 141	Lake Arrowhead	CA	92352 (909) 337-6377	
Arrowhead Lake Association	John Rutledge	PO Box 1119	Lake Arrowhead	CA	92352 (909) 337-2595	
Arrowhead Woods Architectural Committee	Stacey McKay	PO Box 2026	Lake Arrowhead	CA	92352 (909) 336-2755	
Lake Arrowhead Chamber of Commerce	Lewis Murray	PO Box 219	Lake Arrowhead	CA	92352 (909) 337-3715	
Lake Arrowhead Board of Realtors	Kriss Grove	PO Box 879	Lake Arrowhead	CA	92352 (909) 337-2473	
Lake Arrowhead Municipal Advisory Council CSA69	Voni Saxbury	385 N. Arrowhead Avenue	San Bernardino	CA	92415 (909) 387-3841	
County of San Bernardino - Land Use Services	Building and Safety Division	PO Box 709	Twin Peaks	CA	92391 (909) 336-0640	
Local Agency Formation Commission	Kathleen Rollings-McDonald	215 North D Street	San Bernardino	CA	92415 (909) 383-9900	
Alpine Water Users Association	Mr. Phillip Broda	PO Box 122	Twin Peaks	CA	92391 (909) 337-2845	
County of San Bernardino Land Use Services Department	Mr. Pat McGuckian	385 North Arrowhead Ave., 1st Fl	San Bernardino	CA	92415-018 (909) 387-4147	
Water and Sanitation Division		PO Box 5004	Victorville	CA	92393-500 (760) 955-9885	
Crestline Lake Arrowhead Water Agency	Ms. Roxanne Holmes	PO Box 3880	Crestline	CA	92325 (909) 338-1779	
Crestline Village Water District	Mr. Karl B. Drew	PO Box 3347	Crestline	CA	92325-334 (909) 338-1727	
Arrowhead Villas Mutual Services Company		PO Box 77	Sky Forest	CA	92385 (909) 337-4259	
Running Springs Water District	Mr. Sam G. Massey	PO Box 2206	Running Springs	CA	92382 (909) 867-2766	
Big Bear Department of Water and Power	Dani McGee	PO Box 1929	Big Bear Lake	CA	92315 (909) 866-5050	
San Bernardino Valley Municipal Water District	Mr. Douglas Headrick	380 E Vanderbilt Way	San Bernardino	CA	92408 (909) 387-9200	
Sky Forest Mutual Water Company	Mr. Todd Pahl	PO Box 3	Sky Forest	CA	92385 (909) 336-0851	
Strawberry Lodge Mutual Water Company		PO Box 7	Twin Peaks	CA	92391 (909) 337-4612	
Mojave Water Agency	Mr. Kirby Prill, P.E.	22450 Headquarters Dr	Apple Valley	CA	92307-430 (760) 946-7000	
Special Districts Department	Mr. Jeff Rigney	157 West Fifth St., 2nd Floor	San Bernardino	CA	92415 (909) 387-5940	
Lake Arrowhead Country Club	Mr. Mike Stevens	PO Box 670	Lake Arrowhead	CA	92352 (909) 337-2441	
Sierra Club	Sue Walker	PO Box 94	Lake Arrowhead	CA	92352 (909) 337-1279	
Crestline Village Water District	Steven Farrell	PO Box 2287	Crestline	CA	92325 (661) 449-2867	



LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

2010 DRAFT URBAN WATER MANAGEMENT PLAN

NOW AVAILABLE FOR PUBLIC REVIEW

The 2010 Lake Arrowhead Community Services District Urban Water Management Plan ("UWMP") is now available for public review. The UWMP sets forth the future water availability and projected water use within the District's service area. The District produced the UWMP in compliance with the California Urban Water Management Planning Act (California Water Code §§10610 - 10656).

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March 24, 2011

John Padore
Association of Building Contractors
PO Box 141
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Mr. Padore:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

In an effort to ensure all interested parties have the opportunity to comment on this DRAFT report, the District has scheduled a Special Board Meeting – First Public Hearing on Tuesday, June 7, 2011. Following this, the proposed adoption of the 2010 UWMP will be at the regular Board meeting on Tuesday, June 28, 2011.

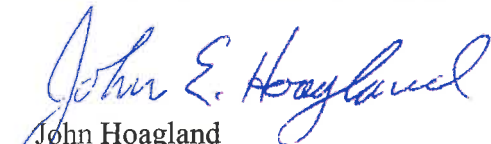
The Urban Water Management Plan evaluates the community's future water supply, describes the long-range water demands of the community under various climate scenarios and describes the strategies to supply the necessary water.

First Public Hearing

Date: Tuesday, June 7, 2011
Time: 6:30pm
Location: Lake Arrowhead Community Services District Board Room
850 Willow Creek Rd

The District encourages your participation and attendance. If you have any questions, please feel free to contact Mr. Lippert.

On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

John Rutledge
Arrowhead Lake Association
PO Box 1119
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Mr. Rutledge:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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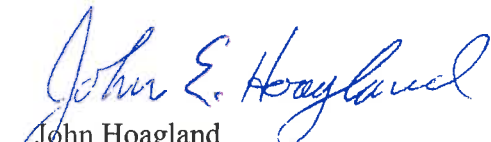
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Stacey McKay
Arrowhead Woods Architectural Committee
PO Box 2026
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Ms. McKay:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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First Public Hearing

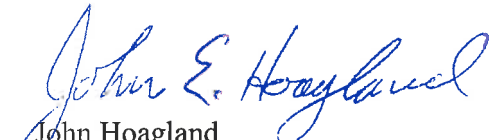
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850 Willow Creek Rd

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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Lewis Murray
Lake Arrowhead Chamber of Commerce
PO Box 219
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Mr. Murray:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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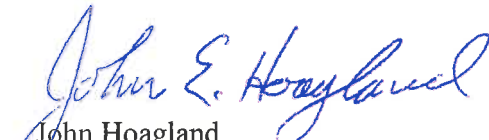
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Kriss Grove
Lake Arrowhead Board of Realtors
PO Box 879
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Ms. Grove:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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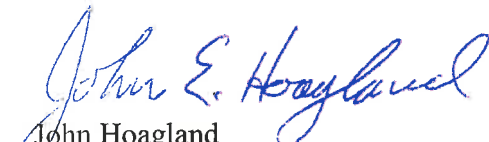
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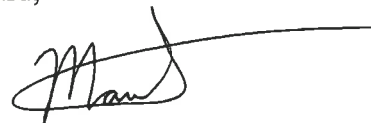
Time: 6:30pm

Location: Lake Arrowhead Community Services District Board Room
850 Willow Creek Rd

The District encourages your participation and attendance. If you have any questions, please feel free to contact Mr. Lippert.

On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Voni Saxbury
Lake Arrowhead Municipal Advisory Council CSA69
385 N. Arrowhead Avenue
San Bernardino, CA 92415

Subject: 2010 Urban Water Management Plan

Dear Ms. Saxbury:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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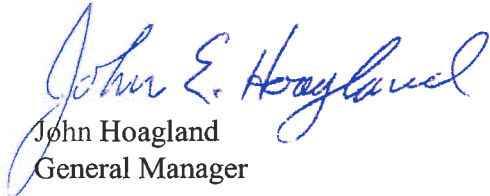
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Building and Safety Division
County of San Bernardino - Land Use Services
PO Box 709
Twin Peaks, CA 92391

Subject: 2010 Urban Water Management Plan

Dear Building and Safety Division:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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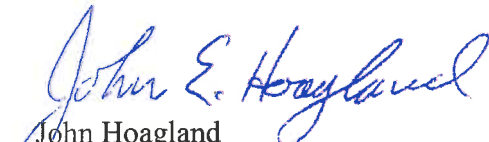
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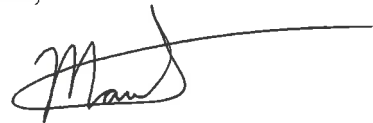
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Kathleen Rollings-McDonald
Local Agency Formation Commission
215 North D Street
San Bernardino, CA 92415

Subject: 2010 Urban Water Management Plan

Dear Ms. Rollings-McDonald:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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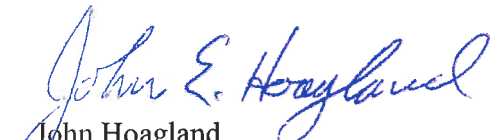
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Mr. Phillip Broda
Alpine Water Users Association
PO Box 122
Twin Peaks, CA 92391

Subject: 2010 Urban Water Management Plan

Dear Mr. Broda:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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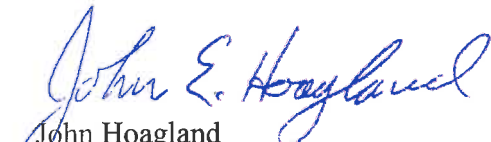
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First Public Hearing

Date: Tuesday, June 7, 2011
Time: 6:30pm
Location: Lake Arrowhead Community Services District Board Room
850 Willow Creek Rd

The District encourages your participation and attendance. If you have any questions, please feel free to contact Mr. Lippert.

On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Mr. Pat McGuckian
County of San Bernardino Land Use Services Department
385 North Arrowhead Ave., 1st Floor
San Bernardino, CA 92415-0182

Subject: 2010 Urban Water Management Plan

Dear Mr. McGuckian:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

County of San Bernardino Special Districts Dept
Water and Sanitation Division
PO Box 5004
Victorville, CA 92393-5004

Subject: 2010 Urban Water Management Plan

To Whom It May Concern:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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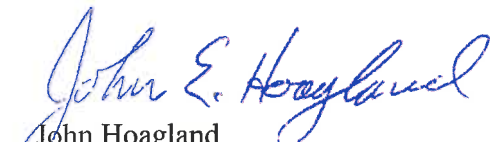
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Ms. Roxanne Holmes
Crestline Lake Arrowhead Water Agency
PO Box 3880
Crestline, CA 92325

Subject: 2010 Urban Water Management Plan

Dear Ms. Holmes:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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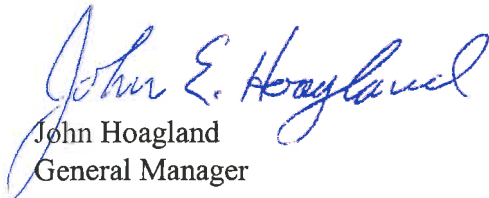
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Mr. Karl B. Drew
Crestline Village Water District
PO Box 3347
Crestline, CA 92325-3347

Subject: 2010 Urban Water Management Plan

Dear Mr. Drew:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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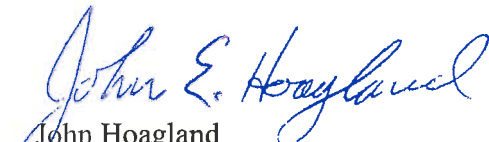
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Arrowhead Villas Mutual Services Company
PO Box 77
Sky Forest, CA 92385

Subject: 2010 Urban Water Management Plan

To Whom It May Concern :

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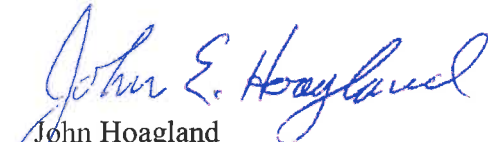
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850 Willow Creek Rd

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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Mr. Sam G. Massey
Running Springs Water District
PO Box 2206
Running Springs, CA 92382

Subject: 2010 Urban Water Management Plan

Dear Mr. Massey:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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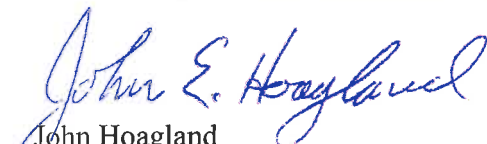
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850 Willow Creek Rd

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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Dani McGee
Big Bear Department of Water and Power
PO Box 1929
Big Bear Lake, CA 92315

Subject: 2010 Urban Water Management Plan

Dear Ms. McGee:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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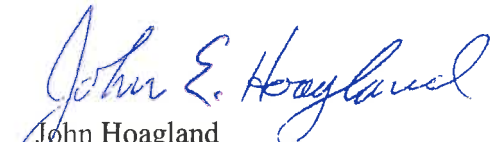
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Mr. Douglas Headrick
San Bernardino Valley Municipal Water District
380 E Vanderbilt Way
San Bernardino, CA 92408

Subject: 2010 Urban Water Management Plan

Dear Mr. Headrick:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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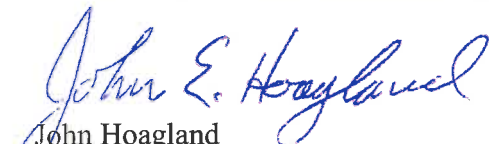
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Mr. Todd Pahl
Sky Forest Mutual Water Company
PO Box 3
Sky Forest, CA 92385

Subject: 2010 Urban Water Management Plan

Dear Mr. Pahl:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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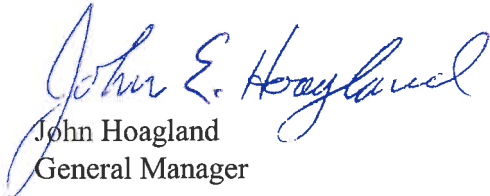
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Strawberry Lodge Mutual Water Company
PO Box 7
Twin Peaks, CA 92391

Subject: 2010 Urban Water Management Plan

To Whom It May Concern:

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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Mr. Kirby Prill, P.E.
Mojave Water Agency
22450 Headquarters Dr
Apple Valley, CA 92307-4304

Subject: 2010 Urban Water Management Plan

Dear Mr. Prill:

Enclosed please find the Lake Arrowhead Community Services District DRAFT 2010 Urban Water Management Plan (UWMP). In addition, there is a 417 page Appendices which is available for review at the District offices, located at 28200 State Hwy 189 Suite O3-160, or on the District website www.lakearrowheadcsd.com. There is a link to the documents on the home page in the upper left hand corner.

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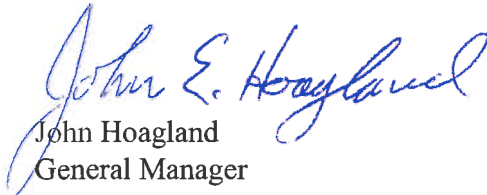
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Mr. Jeff Rigney
Special Districts Department
157 West Fifth St., 2nd Floor
San Bernardino, CA 92415

Subject: 2010 Urban Water Management Plan

Dear Mr. Rigney:

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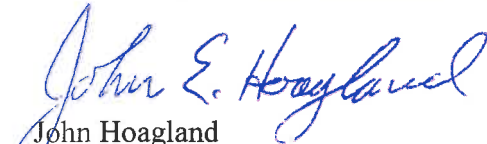
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Mr. Mike Stevens
Lake Arrowhead Country Club
PO Box 670
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Mr. Stevens:

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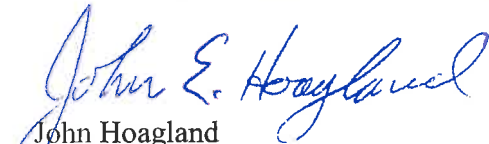
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Sue Walker
Sierra Club
PO Box 94
Lake Arrowhead, CA 92352

Subject: 2010 Urban Water Management Plan

Dear Ms. Walker:

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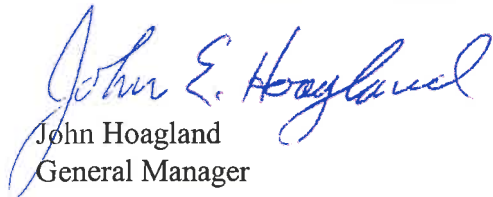
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On behalf of the Lake Arrowhead Community Services Board,


John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113



March 24, 2011

Steven Farrell
Director – Crestline Village Water District
PO Box 2287
Crestline, CA 92325

Subject: 2010 Urban Water Management Plan

Dear Mr. Farrell:

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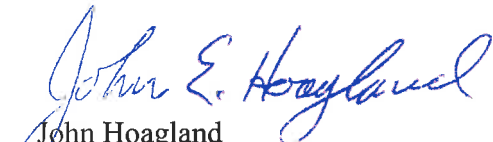
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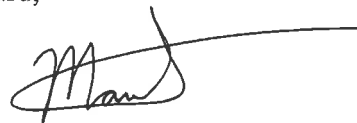
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John Hoagland
General Manager


Marc Lippert
Water Use Efficiency Coordinator
(909) 336-7113

Adopted UWMP Documentation

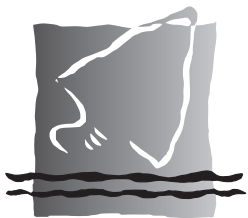
NOTICE:

**You Are Invited
to Attend
and Participate**

**Regular Meeting of the
Board of Directors**
June 14th, 2011 6:30 p.m.

Special Board Meeting
Urban Water Management
Plan Public Hearing
June 7, 2011, 6:30 p.m.

Lake Arrowhead



Community Services District

DISTRICT BOARD ROOM

840 Willow Creek Road
Lake Arrowhead, CA 92352

Agendas are available 5 days
prior to public meetings at the
District office and on the website.
E-notice available by subscription.

***Note:** Audio of the Proceedings
Will be Posted to the District Website*

The Lake Arrowhead Community Services District
Board of Directors may be contacted as follows:
P.O. Box 700, Lake Arrowhead, CA 92352

(909) 336-7100 or www.lakearrowheadcsd.com

Appendix C

State Water Resources Control Board Order WR 2006-0001

STATE OF CALIFORNIA
STATE WATER RESOURCES CONTROL BOARD

ORDER WR 2006 – 0001

In the Matter of Draft Cease and Desist Order No. 262.31-18

and

Administrative Civil Liability Complaint No. 262.5-40

against the

Lake Arrowhead Community Services District

SOURCES: Little Bear Creek Tributary to Deep Creek thence Mojave River and
Grass Valley Creek Tributary to Mojave River

COUNTY: San Bernardino

**ORDER ADOPTING CEASE AND DESIST ORDER
AND ASSESSING CIVIL LIABILITY**

BY THE BOARD:

1.0 INTRODUCTION

In this order, the State Water Resources Control Board (State Water Board) orders the Lake Arrowhead Community Services District (LACSD) to take corrective actions to ensure that LACSD does not withdraw more water for consumptive purposes from Lake Arrowhead and its sources, Little Bear Creek and Grass Valley Creek, than its pre-1914 water right provides.

In this order, the State Water Board also assesses administrative civil liability (ACL) against LACSD in the amount of \$112,000.

On November 8, 9, and 28, the State Water Board conducted a hearing on draft Cease and Desist Order (CDO) No. 262.31-18 and on ACL Complaint No. 262.5-40, issued by the Chief of the Division of Water Rights to the LACSD on August 1, 2005. The hearing was an adjudicative hearing governed by certain provisions regarding administrative adjudication in the Administrative Procedure Act (Gov. Code, §§ 11400, et seq.), as specified in the State Water

Board's regulations commencing at California Code of Regulations, title 23, section 648. The State Water Board issued a Notice of Public Hearing for this proceeding on September 19, 2005.

The issues for hearing were (1) whether, and if so with what, if any, modifications, the State Water Board should issue a CDO against LACSD, and (2) whether the State Water Board should order an ACL against LACSD and the amount of the liability.

In this hearing, a staff Prosecution Team (PT) presented the case for adopting the draft CDO and for imposing civil liability as requested in the ACL complaint. The parties to the proceeding are the LACSD and the PT. Several additional persons and entities participated in the hearing. The State Water Board has considered all of the evidence and arguments in the hearing record, and the findings and conclusions herein are based on the evidence in the hearing record.

2.0 BACKGROUND

The draft CDO and the ACL complaint allege that LACSD's pre-1914 appropriative right does not authorize the use of water from Lake Arrowhead for municipal purposes, and that LACSD is diverting and using water from Lake Arrowhead for municipal purposes. The draft CDO and ACL also allege that the only pre-1914 right at Lake Arrowhead is for recreational purposes, to maintain a lake level of 5106.7 feet above mean sea level, and that LACSD's diversion and use of water may be adversely impacting recreation at Lake Arrowhead and water right holders within the Mojave River basin. The Chief of the State Water Board's Division of Water Rights (Division) issued the draft CDO and the ACL complaint after the Division investigated two complaints filed with the State Water Board by the Arrowhead Lake Association and by Ted Heyck, respectively, against LACSD.

2.1 Authority to Issue a CDO

The State Water Board is authorized to issue a CDO when it determines that any person is violating or threatening to violate any requirement described in Water Code section 1831, subdivision (d). Under subdivision (d), the State Water Board may issue a CDO in response to a violation or threatened violation of any of the following:

“(1) The prohibition set forth in Section 1052 against the unauthorized diversion or use of water subject to this division.

“(2) Any term or condition of a permit, license, certification, or registration issued under this division.

“(3) Any decision or order of the board issued under this part, Section 275, or Article 7 (commencing with Section 13550) of Chapter 7 of Division 7, in which decision or order the person to whom the cease and desist order will be issued, or a predecessor in interest to that person, was named as a party directly affected by the decision or order.” (Wat. Code, § 1831(d).)

The State Water Board may issue a CDO only after notice and an opportunity for hearing. Such notice shall be by personal notice or certified mail, and shall inform the person allegedly engaged in the violation (respondent) that he or she may request a hearing within 20 days after the date of receiving the notice. The notice shall contain a statement of facts and information showing the violation. On August 1, 2005, in accordance with Water Code section 1834, subdivision (a), the Division Chief issued Draft CDO No. 262.31-18 to the LACSD alleging unauthorized diversion and use of water. By letter dated August 18, 2005, LACSD requested a hearing.

If LACSD violates a CDO, the State Water Board may proceed pursuant to Water Code section 1845, subdivision (a). Under section 1845, the penalties for a violation of a CDO are injunctive relief issued by a superior court and liability for a sum not to exceed \$1000 for each day in which the violation occurs. Either the court or the State Water Board may impose civil liability against a violator of a CDO.

2.2 Authority to Assess Civil Liability

The diversion or use of water subject to Division 2 of the Water Code, other than as authorized in Division 2, is a trespass. (Wat. Code, § 1052, subd. (a).) Under Water Code section 1052, subdivision (b), the State Water Board is authorized to assess an ACL against any person who, without authorization, diverts or uses water that is subject to appropriation in accordance with

Division 2 of the Water Code. Under section 1052, the State Water Board may impose an ACL in an amount not to exceed five hundred dollars (\$500) for each day in which the trespass occurs. If LACSD fails to pay, the State Water Board may seek recovery of the ACL as provided in Water Code section 1055.4.

2.3 Physical Setting and History of Development at Lake Arrowhead and on Little Bear Creek

Lake Arrowhead is located in the San Bernardino Mountains about 25 miles north of the City of San Bernardino. The origin of Lake Arrowhead traces back to the late 19th Century when a group of businessmen acquired the area known as “Little Bear Valley” to construct a reservoir (now the site of Lake Arrowhead) to supply water to nearby lowlands. (PT 36, 36-19-01.)

Figure 1 graphically shows the development of the Lake Arrowhead project over time.

Arrowhead Reservoir was completed in 1912 to a height of 160 feet and later raised to 184 feet in 1921.

The Arrowhead Reservoir Company (1891 – 1905) and its successor in interest, the Arrowhead Reservoir and Power Company (AR&PC) (1905 – 1921), contemplated a phased plan of development of the waters of the upper Mojave River watershed that included consumptive water uses for recreational and domestic uses. (LACC 1, p. 1.) The Arrowhead Reservoir Company reorganized as the AR&PC in 1905 and stated in its purposes of incorporation that part of its general business was for “stores, hotels, restaurants, parks, eating houses, and other places of refreshment and amusement.” (LACC 10, p. 257 and LACSD 1, p. 1.) AR&PC owned land in the San Bernardino Mountains and began supplying hydroelectric power to construction camps and other facilities around its mountain storage reservoirs. (LACC 1, p. 19.) AR&PC built a fence around its land in the vicinity of Little Bear Lake in 1912 or 1913 and closed the lake and surrounding acreage to the public in 1913 – 1914 to preserve it for future use as a private summer resort. The Southern California Trout Association appealed to the officials of the AR&PC to open the lake to public use and the company turned down the request because it “hope[d] to make the lake a summer resort some day” (LACC 1, p. 12.) Public pressure to open the lake to fishing and other public uses caused the company to allow fishing and camping around the lake in 1915. (LACC 1, p. 13.)

Progressive Development of Lake Arrowhead

1890	- 1891 Kon Berg Plans (30,000 miners inches under 4" Pressure, 434,394 AFA)	
1900	- 1904 Commencement of construction of dam - 1905 Articles of Incorporation, 1905 Supplemental Water Filing (4, 000 miners inches under 4" Pressure 57,918 AFA)	
1910	- 1911 Miller/Lux Decision (No out of watershed export) - 1912 AR&P builds fence around lake, Finke reports plans to develop resort - 1913-14 AR&P Co. closes lake and surrounding acreage to public to preserve it for future private resort - 1914 Offer of water supply from system to San Diego is turned down - 1916 Strawberry Flat recreational uses being made - 1917 Cedar Glen Subdivision described - 1918 Division of Engineering Report on development made to date by AR&P Co	
1920	- 1922 First Cabin Built at Lake - 1923 Testimony before Board of Health indicates 8000 resident, 2100 transient population - 1924 March 14, 1924 Railroad Commission Decision No. 13267 - 1925 Golf Course Opened to business	1920's Decade of Building
1930	- 1933 New Road	
1940	- 1946 Turf Club purchases Lake	
1950	- 1953 Newspaper Article regarding Mojave water war over Lake	1931-1990 Base Period of Barstow vs Adelanto (Mojave Decision)
1960		
1970		
1980		
1990	- 1991 Barstow vs Adelanto et al. (Mojave Decision)	
2000		
2005	- Complaints filed regarding Lake Arrowhead	

In 1921, AR&PC sold its properties to Arrowhead Lake Corporation, which pushed forward with development of a resort. The whole property was designated as an exclusive community, which was subdivided. The first cabin on the Lake was completed in May 1922. (LACC 1, p. 21.) Development increased rapidly through the 1920s, which included construction of a clubhouse and golf course. (LACSD A-36; PT 5, pp. 7-8; LACC 1, p. 27 and LACC 10, p. 257.) Development continued as ownership of Arrowhead Reservoir and the properties owned by AR&PC changed ownerships several times eventually leading to the formation of Lake Arrowhead Community Services District in 1978, which took over distribution of Lake Arrowhead water. (PT 36, 36-19-01.)

2.4 Positions of Hearing Participants

The parties in this proceeding are PT and LACSD. PT asserts that the State Water Board should issue the CDO and should issue the ACL in the amount of at least \$182,500. LACSD, which is the respondent, opposes issuance of the CDO and the ACL.

Several other persons and entities participated in the hearing as non-party participants, providing evidence and arguments to support their positions as to the action that the Board should take. The Arrowhead Lake Association, which manages Lake Arrowhead for recreation and which filed one of the two complaints against LACSD's diversion and use of water, signed a settlement agreement with LACSD and did not present evidence in the hearing. Lake Arrowhead Country Club, which operates a golf course using water from Lake Arrowhead, opposes issuance of the CDO and the ACL. Ted Heyck, who filed the other complaint against LACSD's diversion and use of water, supports limiting the withdrawal to an average of 1,500 acre-feet per annum from Lake Arrowhead after an adjustment period. Mojave Water Agency argues that if LACSD has a valid pre-1914 water right to take water from Lake Arrowhead for consumptive use, then it should be limited to 705 acre-feet per year and that LACSD should be required to maintain a wastewater discharge of not less than 1,500 acre-feet per year to the Mojave basin.

3.0 APPLICABLE LAW

Before 1914, there were two different ways to obtain an appropriative water right. The non-statutory method was to simply divert the water and put it to beneficial use. The second method, enacted in 1872, was achieved by following the Civil Code provisions at sections 1410 - 1422. The Civil Code appropriations have some advantages over the non-statutory appropriations, but both methods were available until 1914.

3.1 Non-Statutory Appropriations

Before 1872, only the non-statutory method of appropriation was available. The courts developed the rules for appropriating water. To initiate a non-statutory appropriation, the appropriator had to undertake some overt act that made it clear that an appropriation was intended. Miners often would post a notice at the proposed point of diversion and then follow up with other actions. In addition to a written notice, other actions, such as construction, blazing of trees, surveys, stakes, etc., could manifest the necessary intent to put others on notice of the intended appropriation. To establish the appropriative right, the appropriator had to divert the water and apply it with due diligence to the intended beneficial use. By following through, the appropriator acquired a right that related back to the date when the appropriation was initiated. Title vested when the appropriation was complete, and the amount of the right was the amount that the appropriator actually had applied to a beneficial use. After the Civil Code provisions were enacted, water could still be validly appropriated using the non-statutory procedure. Further, a non-statutory appropriation that was completed before a Civil Code appropriation was initiated has seniority over the Civil Code appropriation. (Wells A. Hutchins, *The California Law of Water Rights* (1956), pp. 86-89.)

3.2 Civil Code Appropriations

The Civil Code provisions governing appropriation of water in California were enacted in 1872. (Civ. Code, §§ 1410 – 1422.) Civil Code section 1415 specifies the required contents of a notice of appropriation, including point of diversion, amount of flow, intended purposes of use and place of use, method of diversion, and size of the diversion and conveyance facilities. Section 1415 also specifies the time within which a copy of a notice of appropriation must be recorded in the county recorder's office. Section 1415 further specifies that after the copy of the notice is

recorded, the appropriator can change the point of diversion, the place of use, or the method of diversion if others are not injured by the change. Civil Code section 1416 provides that the claimant of a Civil Code appropriation must commence some activity necessary to appropriating the water within 60 days.

The Civil Code provisions did not take away the non-statutory right of appropriation after 1872, but the Civil Code impacted the non-statutory appropriators by giving the Civil Code filer seniority over any increases in use of water by a non-statutory appropriator after the Civil Code filer initiated the new appropriation. (Civ. Code, § 1419, [“A failure to comply with such rules deprives the claimants of the right to the use of the water as against a subsequent claimant who complies therewith.”]) While this eliminated the right of relation back for a non-statutory appropriator in a dispute with a Civil Code filer, it did not eliminate the right of relation back between two non-statutory appropriators. Thus, if no intervening Civil Code filer appropriated the water, the non-statutory appropriator could continue to maintain seniority for increases in use dating to the initiation of the appropriation against other non-statutory appropriators. (*Haight v. Costanich* (1920) 184 Cal. 426, 433-434.)

Notices of appropriation are to be construed liberally in favor of the appropriator, and in construing a notice of appropriation, other circumstances and documents in existence at and around the time of the notice are relevant to the construction of the notice. (*Meridian, Ltd., v. City and County of San Francisco* (1939) 13 Cal.2d 424 [90 P.2d 537, 552]; *Osgood v. El Dorado Water & Deep Gravel Mining Co.* (1880) 56 Cal. 571.) As discussed below, the 1905 notices of appropriation in this case were made and filed after construction had commenced under a non-statutory appropriation, and the notices therefore further confirmed the appropriation by bringing it under the Civil Code provisions with a priority date no later than the dates of the 1905 notices.

3.3 Progressive Development

With the exception of non-statutory appropriations for which progressive development is interrupted by a competing Civil Code appropriator, pre-1914 water rights can be developed progressively up to the amount of the intended appropriation. The progressive use and

development doctrine allows an appropriator under a pre-1914 appropriation to increase the amount of water diverted up to the amount of the originally contemplated appropriation, if the development is prosecuted “within a reasonable time by the use of reasonable diligence.” (*Haight v. Costanich* (1920) 184 Cal. 426, 432 [194 P. 26], citing *Senior v. Anderson*, 115 Cal. 496, 504 [47 P. 454, 456]; see also *Inyo Consolidated Water Company v. Jess* (1911) 161 Cal. 516, 519 [119 P. 934]; State Water Board Order WR 95-10.) If the use of water is not pursued as required, the right to the additional water becomes subject to intervening claims. (*Haight, supra.*) Order WR 95-10 refers to the required expression of initial intent as a “plan of development.” This does not, however, imply that a single document express the entire intent, but rather that there is substantial evidence of the initial intent with respect to the use of water appropriated at Lake Arrowhead. In this case, the evidence in the hearing record is sufficient to constitute a plan of development that would reasonably result in the beneficial use of up to 1566 acre-feet per year for consumptive purposes; this evidence is discussed below.

3.4 Changes, Including Changing a Non-Consumptive Use to a Consumptive Use

LACSD argues that it has a pre-1914 water right at least to a non-consumptive use of water impounded in Lake Arrowhead, and that it can incrementally convert its non-consumptive use of water stored in the lake to a consumptive use to serve the municipal, irrigation, and domestic uses surrounding Lake Arrowhead. LACSD bases its argument on Water Code section 1706 and section 39 of the Water Commission Act, which was repealed in 1925. Section 39 allowed the conversion of other uses of water to domestic uses. It has not been in effect since 1925, however, and consequently cannot be the basis of changes that LACSD may have made since 1925.

Further, LACSD’s theory that the pre-1914 water right for consumptive uses that exists was developed by changing a non-consumptive use to a consumptive use of water is erroneous. In fact, the pre-1914 water right for consumptive uses identified in this order stems from the 1905 Civil Code filings. Nevertheless, it is important to discuss the law regarding changes from a non-consumptive to a consumptive use of water under a pre-1914 water right because LACSD has increased its consumptive use of water above the amount that can be attributed to the Civil

Code filing, and may erroneously assert in the future that it can change non-consumptive pre-1914 uses to consumptive uses to increase its consumptive uses of water.

Section 1706 allows a pre-1914 water right holder to change its point of diversion, place of use, or purpose of use if others are not injured by the change. For example, a change to add domestic and irrigation uses of water to a non-consumptive right for recreation or power generation would be a change of purpose of use, and by the plain terms of section 1706, the pre-1914 water right holder could make the change, assuming it does not cause injury and does not run afoul of any other legal constraint. In light of the time at which the court in the Mojave adjudication¹ found that overdraft commenced in the Mojave basin, however, it appears that if the basis for consumptive use of water at Lake Arrowhead were a progressive change from non-consumptive uses to consumptive uses under section 1706, any change since the mid-1950's from non-consumptive to consumptive uses of water by LACSD would be prohibited under section 1706 because it would injure another legal user of water.

PT, on the assumption that the only pre-1914 appropriative water right for Lake Arrowhead had originated as a right for non-consumptive uses, argues that LACSD could not make the change it claims to have made from non-consumptive to consumptive uses of water because doing so would cause LACSD to exceed the amount of LACSD's appropriation. The State Water Board agrees with PT that it is well-settled law that the measure of an appropriator's water right is the amount of water that is actually used. PT cites numerous cases supporting this principle.

(*Ortman v. Dixon* (1859) 13 Cal. 33, 38-39; *City of San Bernardino v. City of Riverside* (1921) 186 Cal. 7, 31 [198 P. 784]; *Trimble v. Heller* (1913) 23 Cal.App. 436, 443-444 [138 P. 376, 379]; *Natural Soda Products Co. v. City of Los Angeles* (1943) 132 P.2d 553, 560.)

PT goes on to argue, however, that the appropriator cannot change a perfected non-consumptive use to a consumptive use because that would increase the amount of water used by the appropriator, even if the amount used for non-consumptive use was far in excess of the consumptive use. PT further argues that changing a non-consumptive use under a pre-1914

¹ *City of Barstow v. Mojave Water Agency* (2000) 23 Cal.4th 1224 [99 Cal.Rptr. 2d 294].

right to a consumptive use initiates a new right. (The Prosecution cited *Santa Paula Water Works v. Peralta* (1896) 113 Cal. 38, 45 [45 P. 168] and *City of San Bernardino v. City of Riverside, supra*, 186 Cal. at pp. 28-29 for limits on increases in the diversion of natural flow, but cited only Montana and Oregon cases to argue that increased consumptive use means the initiation of a new right.) The idea that changing a non-consumptive use to a consumptive use initiates a new right apparently reflects a common presumption that a change from a non-consumptive use to a consumptive use usually will cause injury to other legal users of water and consequently that a new water right is needed to effectuate the new use. (See, e.g. State Water Board Decision 1635, p. 91 (Oct. 2, 1996).) There are instances, however, where there is no injury. For example, if water that is not consumptively used is permanently or seasonally removed from the natural watercourse, making it unavailable for other uses, a change to a consumptive use would cause no injury, since it already has been removed from the natural stream.²

In California, Water Code section 1706 says that the limit on changes in purpose of use of a pre-1914 right is injury to other legal users of water. Section 1706 precludes a change in a pre-1914 water right if it will injure others. This limitation is not confined to avoiding injury to senior water right holders; because of the priority system, a water right holder cannot in any event injure a more senior water right holder. Section 1706 goes farther, and prohibits injury to *any* water right holder. Therefore, after uses have built up based on the availability of water under subsequent water rights, and no water remains for appropriation, a holder of a pre-1914 water right for a non-consumptive use cannot change its water right to a consumptive use because doing so would result in injury to others. PT argues that if non-consumptive pre-1914 rights can

² If the pre-1914 appropriator had a right to take the water and store it for later use or take it to another watershed, the appropriator would not diminish the natural stream flow when it converted the appropriated water to another use, and therefore would not injure another legal user of water by making the change, because the other legal user's right does not allow it to require that an upstream appropriator continue to abandon increments of water that it has stored from a previous season. (*Stevens v. Oakdale Irrigation Dist.* (1939) 13 Cal.2d 343 [90 P.2d 58]; *Lindblom v. Round Valley Water Co.* (1918) 178 Cal. 450 [173 P. 994, 997].)

For post-1914 water rights, the State Water Board and its predecessors have required separate water rights for consumptive and non-consumptive uses of water. By doing this, the maximum consumptive use cannot be increased by converting some non-consumptive uses. If it does nothing else, this separation simplifies the analysis required to determine when there will be injury to other legal users of water due to a proposed change in the purpose of use of the water, and simplifies the analysis of the maximum use of water under the right.

be changed to consumptive rights, there will be adverse policy implications to existing uses of water because this would allow millions of acre-feet of non-consumptive hydropower rights to become senior consumptive water rights. Section 1706 precludes this scenario, however, if others will be injured by the change. Considering that most of the major natural watercourses in California are fully appropriated or nearly so, it is unlikely that a situation will arise in which a large non-consumptive use of water under a pre-1914 water right can be changed to a consumptive use without injuring a junior appropriator. It also is unlikely that such a change would injure only instream beneficial uses of water without injuring junior appropriators, since recent appropriators usually have instream bypass and release terms in their water right permits or licenses to protect the instream uses. As a result, there are no adverse policy implications of construing section 1706 to mean what it says; what precludes changes from non-consumptive uses to consumptive uses is the prohibition of injury to others.

4.0 CEASE AND DESIST ORDER

4.1 Plans for Development and Resulting Pre-1914 Right

4.1.1 Plans of Development of Pre-1914 Right

Plans for development of a water right existed before 1914 for the purposes of developing a resort community around Lake Arrowhead and were commenced in a timely fashion.

Koeberg initially filed for water rights for Lake Arrowhead in 1891 by claiming an appropriation of 30,000 miners inches under a 4” pressure (equivalent to 434,386 AFA). (PT 16.)

An amended notice of appropriation was filed in 1905 seeking 4,000 miners inches under a 4” pressure (equivalent to 57,918 AFA). (PT 17.) As required under Civil Code section 1416, commencement of construction had occurred prior to 60 days after the May 1905 filing, because construction of the foundation had begun in 1904. (LACC 1, p. 5; LACC 17, p. 10.) The Arrowhead Reservoir Company posted several notices or amended notices of appropriation of water for storage in Lake Arrowhead on May 22, 1905, and filed these notices in the County Recorder’s Office on May 24, 1905. (LACSD 12-21.) Each of the notices includes domestic use of water. They also specify the place of use as San Bernardino Valley; however, as discussed above, Civil Code section 1415 allows an appropriator under that section to change the place of

use after having filed a copy of the original notice for record, if others are not injured by the change. As discussed below, it became impractical for the appropriator to deliver water to the San Bernardino Valley, which is outside the Mojave River watershed, and so the appropriators instead planned to serve water in the area around Lake Arrowhead, effectively changing the place of use of the consumptive uses of water under the appropriation notices.

There are several bases for finding a plan to specifically develop a resort community around Lake Arrowhead prior to 1914. As evidenced in the 1905 articles of incorporation of the AR&PC, one of the company's stated purposes was "establishing and conducting, in connection with and as part of its general business, stores, hotels, restaurants, parks, eating houses and other places of refreshment and amusement". F.C. Finkle, an engineer for the AR&PC, reported in 1912 that the company had plans to develop 4,700 acres owned by the company for summer homes and hotels once construction of the lake was complete. (LACC 11, pp. 2, 27, 58; LACC 1, pp. 11-12.) A 1915 complaint filed against trespassers to the Lake states that the Company was organized in part for the purpose of developing a mountain resort and that lake water would be used for domestic use. (LACC 1, pp.14; 29; 37; 38; 39; 40.)

Early use by AR&PC consisted of supplying hydroelectric power to construction camps and other facilities around its mountain storage reservoirs. (LACC 1, p. 19.) AR&PC built a fence around its land in the vicinity of Little Bear Lake in 1912 or 1913 and closed the lake and surrounding acreage to the public in 1913 - 1914 to preserve it for future use as a private summer resort. The Southern California Trout Association appealed to the officials of the AR&PC to open the lake to public use and the company turned down the offer because it "hope[d] to make the lake a summer resort some day" (LACC 1, p. 12.) Public pressure to open the lake to fishing and other public uses put pressure on the company to allow fishing and camping around the lake in 1915. (LACC 1, p. 13.)

In 1921, AR&PC sold its properties to Arrowhead Lake Corporation, which pushed forward with development of a resort on the 6,000 acres previously held by AR&PC. The whole property was designated as an exclusive community, which was subdivided. The first cabin on the Lake was completed in May 1922. (LACC 1, p. 21.) Development increased rapidly through the 1920s,

which included construction of a clubhouse and golf course. (LACC 1, p. 27 and LACC 10, p. 257.) The fact that the reservoir was completed despite the infeasibility of earlier plans to deliver the water to San Bernardino Valley, together with the rapid development of the community as soon as the reservoir project was completed, is further evidence that the service of water to the community was the result of a change in place of use of the reservoir's water, to serve the resort community instead of the San Bernardino Valley.

The ultimate size of the planned resort community is stated in the transcript of a hearing before the State Board of Health in Los Angeles on June 23, 1923. In testimony at this hearing, the ultimate plans for the resort were estimated to be 8,000 resident population and 2,100 transient guests. (LACSD 80, p. 29.)

Development continued as ownership of Arrowhead Reservoir and the properties owned by AR&PC changed ownerships several times eventually leading to the formation of Lake Arrowhead Community Services District in 1978, which took over distribution of Lake Arrowhead water. (PT 36, 36-19-01.) Although the course of development took place over about seventy-six years, the rate of increase in water use reflected development in southern California generally, accelerating in economically vigorous periods and slowing during the depression and recession periods. Considering that the consumptive uses of water at Lake Arrowhead are primarily municipal or domestic in nature, and considering the preferences for municipal uses of water and the extended periods over which statutory policy allows municipal uses to be developed, it is not unreasonable for the consumptive use of water at Lake Arrowhead to have been developed over this period. (See *Meridian, Ltd.*, supra.; Wat. Code, §§ 106, 106.5, 1203, 1460-1464.) Municipal uses of water cannot and should not be developed immediately, unlike irrigation uses or other uses for which the entire amount can be used immediately.

4.1.2 Resulting Pre-1914 Right

The amended notice of appropriation filed in 1905 which sought 4,000 miners inches under a 4" pressure was clearly in excess of the quantities needed to serve the planned resort community. (PT 17.) As stated above, the ultimate size of the planned resort community was estimated in 1923 to be 8,000 resident population and 2,100 transient guests. (LACSD 80, p. 29.)

Using these population estimates, a determination of the expected water use can be accomplished by applying typical water duty and some reasonable assumptions. California Code of Regulations, title 23, section 697, suggests an allowance of 55 to 75 gallons per day per person for inside water use and 18.5 gallons per day per 100 square feet for outside water use. If it is assumed that the maximum amount of this suggested allowance was intended, this results in the inside water use of 672 AFA for the resident population and 87 AFA for the transient population which was assumed to be present 6 months of the year. Assuming 3 people per household in order to determine the number of residences and assuming approximately 1,200 square feet of irrigated shrubbery and garden for each residence results in 498 AFA for outside water use for the resident population from approximately Feb 15th to Nov 15th of each year.

In addition to meeting the demands of the resident and transient population the other large demand for water outlined in the plans and implemented in 1925 was for irrigation of the Lake Arrowhead Golf and Country Club (a.k.a. Grass Valley Golf Club). (LACC 1, p. 24.) The golf course was irrigated by pumping water from Lake Arrowhead in a pipeline reputed to be 6" - 8" in diameter that delivered water at 1,000 gpm continuously from approximately the 4th of July to Labor Day (approximately 70 days). (LACC 1, p. 26.) This draw of water amounts to approximately 309 AFA for supply of the golf course.

Combining the demands determined above results in a total of 1,566 AFA for the planned development of the resort at Lake Arrowhead. The pre-1914 water right for consumptive use is therefore limited to 1,566 AFA.³ This right is based on the progressive use and development of a Civil Code appropriation for consumptive uses filed in 1905. Since the water rights in the Mojave basin generally are more recent than the Lake Arrowhead water rights, water users in the Mojave basin cannot be injured by LACSD's having fully developed the senior pre-1914

³ LACSD operates the water delivery facilities. This order does not determine the ownership of the pre-1914 water right that is the subject of this proceeding.

consumptive use right stemming from the Civil Code filings, up to the limit of 1,566 AFA. The increases above this amount since 1981, however, were prohibited by section 1706 if they were based on changing a non-consumptive right to a consumptive right.

4.2 Passage of Time Does Not Confer a Water Right

LACSD argues that the State Water Board has waited too long to take enforcement action and therefore should be barred from taking enforcement action against LACSD for its illegal diversion and use of water for consumptive uses. LACSD argues, for example, that the State Water Board should have known in 1978 that LACSD was taking Lake Arrowhead water for domestic water supplies because that was the year that LACSD was organized under the Community Services District Law. There is no reason, however, for this information to have come to the attention of the State Water Board. Further, in 1978, LACSD had not yet reached the point of taking water in excess of the pre-1914 water right.

The reason for the current proceeding is that LACSD cannot use as much water as it currently is using for consumptive purposes without having either a water right permit issued by the State Water Board or obtaining water from another water right holder. In other words, for the part of the water supply it withdraws in excess of the pre-1914 water right for consumptive uses, it is an ongoing illegal diverter and user of water. Since 1914, a new appropriative water right can be obtained only through the process set forth in Division 2, Part 2, of the Water Code, and prescription cannot be obtained against the state. (*People v. Shirokow* (1980) 26 Cal.3d 301 [162 Cal.Rptr. 30, 605 P.2d 859].) Further, a claim of laches⁴ does not protect an illegal water user. (*Id.*, at 311-312, fn. 14.) Since LACSD has no water right to divert and use the excess water, it cannot argue that it has acquired the right to continue its use of water in excess of its right.

4.3 Contents of Cease and Desist Order

One of the key issues in this hearing is whether a cease and desist order should be issued and if so, what modifications, if any, should be made to the measures required in the draft CDO. The draft CDO was a result of investigation into allegations in complaints by Ted

⁴ Laches is an undue delay in asserting a legal right.

Heyck and ALA. Justification for issuance of the CDO includes the continuation of unauthorized diversions and issuance of new “will serve” agreements by LACSD while the complaint was pending. (PT 24, pp. 2, 3.) The PT asserted that any withdrawal from Lake Arrowhead to serve consumptive uses is unauthorized. As discussed elsewhere in this order, the State Water Board finds a right to withdraw up to 1,566 AFA from Lake Arrowhead for consumptive use. There exists a continued threat, however, that LACSD will exceed the consumptive use right to withdraw up to 1,566 AF per year despite efforts by LACSD to reduce these withdrawals. (PT 24, pp. 1,2; CUWCC 1 pp. 2, 3.)

The purpose in issuing the draft CDO was twofold:

1. To require the LACSD to develop and implement a plan to reduce and ultimately cease the unauthorized diversion and use of water from Lake Arrowhead as quickly as practicable; and
2. To prevent the LACSD from continuing to make commitments to provide new water connections until LACSD develops a legitimate plan to reduce and ultimately cease its unauthorized diversion and use. (PT 24, p. 3.)

Despite finding a right to make some withdrawals from Lake Arrowhead for consumptive uses, the same two purposes for issuance of a CDO still exist. Further, LACSD should provide reports to the Chief of the Division of Water Rights to ensure compliance with the required plan.

Through both demand reduction and use of alternate sources of water, LACSD was able to reduce its withdrawals from Lake Arrowhead to 1,915 AF in 2004. While this still exceeds the water right by 349 AF, LACSD has identified other alternate supplies of water. In evaluating alternatives for demand management and supplemental water supply to reduce its dependency on Lake Arrowhead withdrawals in 2003, LACSD identified several projects that could be implemented within one year that totaled 1,107 AF in reduced withdrawal from Lake Arrowhead. (PT 31, p. 10.) As evidenced by the reduction in withdrawal in 2004, LACSD

appears to have implemented some of the identified projects. It is anticipated that further implementation of projects by LACSD could accomplish the goal of eliminating unauthorized withdrawals from Lake Arrowhead in less than 2 years from the issuance of this order.

5.0 ASSESSMENT OF CIVIL LIABILITY

The basis in the complaint for assessing civil liability is the LACSD's unauthorized diversion and consumptive use of the water from Lake Arrowhead reservoir for fiscal years 2002-2004. The unauthorized diversion and use of water constituted a trespass within the meaning of Water Code section 1052, subdivision (a). The maximum civil liability that can be imposed by the State Water Board in this matter is \$500 for each day in which the trespass occurred.

In determining the amount of civil liability, Water Code section 1055.3 requires that the State Water Board consider all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the nature and persistence of the violation, the length of time over which the violation occurs, and any corrective action taken by the violator. In this case, since 1982, LACSD has withdrawn water in excess of the water right for consumptive use without a basis of right for the excess amount of water, thereby trespassing against the State. LACSD's diversion may have resulted in injury to water right holders in the Mojave River watershed, since LACSD's diversions have increased since the State Water Board determined in 1988 that the Mojave River was fully appropriated year-round. By that time, the Mojave River Basin already was overdrafted and any additional appropriations would further deplete the subsurface water in the basin. LACSD's diversions likely have contributed to the overdraft, thereby incrementally injuring all downstream water right holders.

LACSD has made unauthorized diversions in excess of 1,566 AF in every year after 1981. (MWA 1-I; 1-J (fig. 17); LACSD D-9; C-11.) The basis of the complaint, which led to the proposed ACL, was LACSD's unauthorized diversions and consumptive use from Lake Arrowhead reservoir for fiscal years 2002-04. LACSD had taken steps in the last two years of the complaint period to reduce withdrawals from Lake Arrowhead. (LACSD C-10; C-11; C-12; D-9; PT 24, p.5; CUWCC 1, pp.2-3.) Despite these efforts, LACSD has withdrawn greater quantities of water than the maximum right for consumptive uses. (LACSD C-11; C-12;

CUWCC 1; PT 24, p. 5.) The ACL complaint estimates that LACSD's total avoided cost by taking water from Lake Arrowhead instead of buying it was \$12.5 million for 2002-2004. Considering that part of the water LACSD withdrew from the lake during that period was within the pre-1914 water right, the total avoided cost is closer to \$5.05 million, which is still substantial.

The ACL complaint proposed a liability of \$182,500, which is equivalent to a \$500 liability for each day of unauthorized diversion and use of water that occurred during a one-year period. (\$500 per day x 365 days) The liability amount proposed in the ACL complaint was based on the assumption that the unauthorized diversions by LACSD were at a maximum of 3,157 AF, which occurred in 2002. Because the State Water Board finds a right to withdraw 1,566 AF for domestic and irrigation uses, the actual maximum unauthorized diversion in 2002 was 1,591 AF (3,157 AF – 1,566 AF), which is approximately one-half the unauthorized diversion alleged in the ACL complaint.

The record shows that in the investigation of the complaints, the prosecution staff in the Division requested evidence of LACSD's asserted pre-1914 water right to use water for consumptive uses. As discussed above, LACSD and other interested participants in the hearing submitted adequate evidence that was accepted in evidence during the hearing to demonstrate that LACSD's predecessor had a plan for development of its claimed water supply adequate to serve the Lake Arrowhead community up to 1,566 AF per year. The State Water Board believes that LACSD, if it had exercised reasonable diligence, could have produced this information during the investigation instead of requiring the State Water Board to hold a hearing before producing the evidence. Because of the need to hold a hearing, the State Water Board's costs in this matter have increased substantially over the cost of the investigation alone. As a matter of reasonable prudence, any claimant of pre-1914 water rights should have the documentation at hand to demonstrate that it has the rights it claims. Apparently LACSD did not have this documentation at hand, had not bothered to re-establish its files after an alleged fire, and perhaps did not take the prosecution's investigation seriously until the Division Chief issued the ACL complaint and the draft Cease and Desist Order.

In consideration of LACSD's unauthorized diversions, its failure to maintain documentation of its pre-1914 water rights, and its failure to assemble and provide documentation during the investigation, and the necessity of holding a hearing to obtain the required information, the State Water Board finds that an ACL should be assessed against LACSD. The amount of the ACL should take into consideration the above factors, the smaller amount of unauthorized diversions determined herein, LACSD's efforts in the past two years since the complaints were filed to reduce its withdrawals from Lake Arrowhead, and the costs to the State Water Board of conducting the hearing. The State Water Board has incurred considerable costs, including hearing staff costs, support staff, and prosecution staff costs. Taking all of these factors into consideration, the State Water Board sets the ACL in the amount of \$112,000.

6.0 CONCLUSIONS

1. The State Water Board concludes that LACSD may exercise pre-1914 water rights, with a priority no later than May 22, 1905 (the date of the Civil Code filings), that are sufficient for it to withdraw from Lake Arrowhead for consumptive uses up to 1,566 AF per year.
2. LACSD maximized the withdrawal of water for consumptive uses under the pre-1914 water right in 1981. Subsequently, LACSD has withdrawn more water for consumptive uses than is supported by the water right. Further, LACSD could not convert any of the non-consumptive rights to consumptive use rights when it maximized its use of water under the pre-1914 water right, because doing so would injure other water users in the Mojave Basin.
3. The State Water Board concludes that LACSD should pay administrative civil liability in the amount of \$112,000.

ORDER

IT IS HEREBY ORDERED,

- A. The State Water Resources Control Board ORDERS that, pursuant to Water Code sections 1831 through 1836, LACSD shall take the following corrective actions and satisfy the following time schedules:

1. LACSC shall within 60 days of the date of this order, submit a plan to initially reduce and subsequently cease the unauthorized diversion and consumptive use of stored water from Lake Arrowhead above the allowable diversion and use amount of 1,566 AF per calendar year. The plan must specify deadlines for implementation of corrective actions that will reduce unauthorized diversions as quickly as practicable. Under the plan, LACSD shall not exceed an annual withdrawal of 1,566 AF from Lake Arrowhead during 2008 and during all subsequent years. LACSD shall consider all practical measures to reduce demand or increase supplies, including a moratorium on new water service commitments. LACSD shall modify the plan in accordance with directions from the Chief of the Division of Water Rights (Division Chief) and shall implement the final plan after the Division Chief approves it.
2. LACSD shall submit the following reports to the Chief of the Division of Water Rights semiannually. The first report is due prior to February 1 and shall cover the period July 1 to December 31. The second report is due prior to August 1 and shall cover the period January 1 to June 30. LACSD shall submit the semiannual reports until such time as the Division Chief provides written notification that these reports no longer need to be submitted:
 - (a) A progress report identifying the conservation measures taken and estimated resulting reduction in total diversion of water from Lake Arrowhead; and
 - (b) A monthly reservoir operation report for Lake Arrowhead identifying monthly storage elevation, reservoir capacity, change in storage, evaporation loss, bypass or spills, calculated natural inflow, purchase or groundwater inflows, and diversions from the reservoir.
3. LACSD shall immediately cease any increase in its withdrawal of water from Lake Arrowhead above its total withdrawal for consumptive uses in 2005.

4. LACSD shall comply with any written directive of the Chief of the Division of Water Rights regarding the unauthorized diversion of water from Lake Arrowhead until such time as the State Water Board directs otherwise.

Upon the failure of any person to comply with a CDO issued by the State Water Board pursuant to chapter 12 of Part 2 of Division 2 of the Water Code (commencing with section 1825), the Attorney General, upon the request of the State Water Board, shall petition the superior court for the issuance of prohibitory or mandatory injunctive relief as appropriate, including a temporary restraining order, preliminary injunction, or permanent injunction. (Wat. Code, § 1845, subd. (b).) Civil liability may be imposed by the superior court or administratively by the State Water Board pursuant to Water Code section 1055.

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- B. The State Water Resources Control Board ORDERS that LACSD shall pay administrative civil liability in the amount of \$112,000. This amount is due immediately, and if it is unpaid after the time for review under Chapter 4 (commencing with section 1120) has expired, the Board may seek a judgment against LACSD in accordance with Water Code section 1055.4.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of an order duly and regularly adopted at a meeting of the State Water Resources Control Board held on January 13, 2006.

AYE: Tam M. Doduc
Arthur G. Baggett, Jr.
Richard Katz

NO: None

ABSENT: None

ABSTAIN: Gerald D. Secundy

A handwritten signature in black ink, appearing to read "Selica Potter", written over a horizontal line.

Selica Potter
Acting Clerk to the Board

Appendix D

LACSD Ordinance No. 65 and Ordinance No. 69

LACSD Ordinance No. 65

ORIGINAL

ORDINANCE NO. 65
AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT,
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
WATER CONNECTION POLICY OF THE
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
RECITALS

A. In accordance with the laws of the United States, the State of California and the State Water Code, the District determines and declares the existence of an emergency condition of water shortage within its service area and hereby enacts the following ordinance for the orderly management of water resources with the intent of ensuring a safe and reliable water supply for the Arrowhead Woods Certificated Water Service Area and hereby establishes the Water Connection Policy of the Lake Arrowhead Community Services District ("LACSD") and adopts and incorporates the emergency situation as also delineated in Ordinance No. 58.

B. The District desires to plan for the orderly management of water resources with the intent of ensuring a safe and reliable water supply for the Arrowhead Woods Certificated Water Service Area; and

C. Urban Water Management Plan On December 13, 2005, the District adopted its 2005 Urban Water Management Plan ("2005 UWMP") that projects and plans for future water demand and water supply in the Arrowhead Woods Certificated Water Service Area; and

D. Rules and Regulations Section 7.0 of the District's Rules And Regulations For Water And Wastewater Service ("Rules and Regulations") sets forth the terms and conditions for the use of the District's water system, application for water service and requirements for the issuance of a Permit to Connect ("Permit") that will allow connection to the District's water system. The requirements of Section 7.0 include, but are not limited to, the following subsections and requirements as summarized below:

Application for Regular Water Service Section 7.2.1 - An application for water service from the District shall be made by the owner of the subject property.

New Connection Service Availability Letter Section 7.5.1 - Prior to applying for a Permit, an Applicant must apply for and receive a Service Availability Letter.
Section 7.5.9 - The Service Availability Letter states any limitations regarding the availability of service and specifies general and special conditions that must be met prior to issuance of a Permit.

Service Availability Letter Limitations Section 7.6.1 - A Service Availability Letter does not constitute a Permit or an entitlement to a Permit. No right to a Permit is created by the issuance of a Service Availability Letter or compliance with all conditions set forth in a Service Availability Letter.

Application for Connection to Water System Section 7.9.1 - Subsequent to the issuance of the Service Availability Letter, an Applicant shall make application for a Permit.

Feasibility of New Developments Section 7.20.1 - In addition to complying with all Service Availability Letter and Permit requirements, an Applicant wishing to develop a project that may require construction of a water main to serve a proposed subdivision of lots, extension of a water main to serve an existing property, or construction of other District facility improvements needed for the development project, shall first make a written request to the District for engineering or a study review ("Feasibility Report").

E. Disclosure Statement One of the conditions for issuance of a Service Availability Letter is that Applicants must sign a disclosure statement ("Disclosure") which notifies the Applicant about the State Water Resources Control Board ("State Board") Order WR 2006-0001 In The Matter of Draft Cease and Desist Order No. 262.31-18 and Administrative Civil Liability Complaint No. 262.5-40 (collectively referred to as "Order") against the District. The Disclosure provides, among other things, as follows:

On January 13, 2006, the State Board issued the Order against the District. In general, the Order upholds the District's pre-1914 water right for consumptive purposes, but limits the District to withdrawals up to 1,566 acre feet per year from Lake Arrowhead. The Order directs the District to take certain corrective actions including, for example and not by way of limitation, the following:

1. The District shall within 60 days of the date of the Order submit a plan to initially reduce and subsequently cease the unauthorized diversion and consumptive use of stored water from Lake Arrowhead above the allowable diversion and use amount of 1,566 AF per calendar year. The plan must specify deadlines for implementation of corrective actions that will reduce unauthorized diversions as quickly as practicable. Under the plan the District shall not exceed an annual withdrawal of 1,566 AF from Lake Arrowhead during 2008 and during all subsequent years. The District shall consider all practical measures to reduce demand or increase supplies, including a moratorium on new water service commitments. The District shall modify the plan in accordance with directions from the Chief of the Division of Water Rights ("Division Chief") and shall implement the final plan after the Division Chief approves it.

3. The District shall submit the following reports to the Division Chief semiannually:

(a) A progress report identifying the conservation measures taken and estimated resulting reduction in total diversion of water from Lake Arrowhead; and

(bj) A monthly reservoir operation report for Lake Arrowhead identifying monthly storage elevation, reservoir capacity, change in storage, evaporation loss, bypass or spills, calculated natural inflow, purchase or groundwater inflows, and diversions from the reservoir.

3. The District shall immediately cease any increase in its withdrawal of water from Lake Arrowhead above its total withdrawal for consumptive uses in 2005.

4. The District shall comply with any written directive of the Division Chief regarding the unauthorized diversion of water from Lake Arrowhead until such time as the State Board directs otherwise.

It is possible that the Order could be challenged or otherwise made subject of an appeal or other proceeding. If an entity or individual were to bring such a challenge, it is possible the Order could be changed. It is not possible at this time to determine whether such a change might include the requirement of a moratorium on new water service commitments. In addition, the State Board and its Division Chief will continue to have authority over the District regarding approvals and directives. It is not possible at this time to determine the scope, nature or substance of said directives and approvals or whether a moratorium may end up being required in connection with said directives and approvals. As a result, the District may not be able to provide any new meter installations to customers regardless of whether they may be in the process of construction. Whether or not an individual has a Service Availability Letter, or any other type of permit or approval, may or may not be the determining factor as to whether that individual can connect to the District's system.

Applicants have been required to sign the above-mentioned Disclosure for Service Availability Letters issued on or after August 10, 2005. Service Availability Letters issued prior to August 10, 2005 also included a disclosure which provided, among other things, as follows:

In March and April of 2003, two Water Rights Complaints were filed against the District with the State Water Resources Control Board ("SWRCB"). On February 10, 2004, a draft Report of Investigation ("Draft Report") was issued by staff of the SWRCB. The Draft Report concludes, in part, that the District holds a water right to store water in Lake Arrowhead for recreation purposes only and not for providing water service. Unless or until the District successfully challenges the Draft Report, settles the matter with the complainants who filed the Complaints, or otherwise resolves the matter, there will be a question as to whether the District has the water right to use the water of Lake Arrowhead for providing water service.

F. Status of State Board Order On February 9, 2006 the Board of Directors made a decision to accept the Order. In addition, the District has submitted a plan as required by the Order and as of the date of this Ordinance, said plan is under review by the Division Chief. It is not possible at this time to determine what requirements or limits may be imposed by the Division Chief in connection with approval of the District's plan.

G. Water Conservation Policy On April 27, 2004, the Board of Directors adopted Ordinance No. 58 which became effective June 1, 2004 and established the Water Conservation Policy of the Lake Arrowhead Community Services District. Section 4 of Ordinance No. 58 sets forth Permanent Water Conservation Policies Applicable to All Customers which shall remain in effect as continuous conservation measures. Due to the water shortage, as a condition of service and in order for an applicant to receive a Permit, the applicant shall comply with the District's Mandatory Landscape Standards.

H. Authority To Impose Restrictions This Ordinance and its requirements are adopted pursuant to: (a) Water Code Section 350 et seq. which authorizes the adoption of regulations and restrictions on the delivery and consumption of water; (b) Water Code Sections 375 et seq. and 1009; and (c) Water Code Section 71640 that Government Code § 61100(a) incorporates into the Community Services District Law; all of which authorize the District to adopt a water conservation program to reduce the quantity of water in order to conserve the District's water supply;

I. Effectiveness This Ordinance shall be effective as of June 9, 2006. Within 15 days after its adoption, this Ordinance shall be published in the *Mountain News* newspaper. This Ordinance was introduced, a first reading was done as to the title only, and further reading was then waived after a public hearing and at a regular meeting of the Board held on April 25, 2006. This Ordinance was passed by the Board during its Regular Meeting on May 9, 2006. Notice of the time and date of the Regular Meetings was given in accordance with the legal requirements for posting of the notice and agenda for such Regular Meetings.

J. Historical Average of Applications Since August 1, 2005, when an earlier draft of the Order was released by the State Board, the District has been receiving an unusually high number of applications for new water connections. Historically the average annual number of new connections to the District's water system was sixty-seven (67) or an approximate increase of 1% per calendar year (on an annual basis for the period from 1995 to 2004). From January 1, 2005 to December 31, 2005 the District installed 133 new water meters or approximately twice this historical average.

K. Yearly Increase In New Connections The assumptions used in the 2005 UWMP as well as the plan to satisfy the SXJRCB Order include a 1% per year increase in water demand and number of new water connections based on the above-mentioned historical average of new connections per year and the factors which are to be considered in connection with said 2005 UWMP update.

L. New Water Connection Policy The District desires to adopt a policy to govern the allocation of water meters for new connections to the District's water system for service within the Arrowhead Woods Certificated Water Service Area in order to address the following circumstances as set forth above: (a) the Order; (b) the water shortage and need for regulations and restrictions on the delivery and consumption of water resulting from the Order; (c) the anticipated water shortage emergency condition which could prevail from the Order, since the Order could lead to a situation where the ordinary demands and requirements of customers cannot be met without depleting the current water supply to the extent there would eventually be insufficient water for human consumption, sanitation and fire protection; (d) the substantial increase in water service availability applications and water service applications for permits to connect which are being filed and installed as a result of the Order; (e) the conclusions and requirements resulting from the 2005 UWMP and plan to satisfy the Order; and (f) the desire of the District to balance larger subdivision projects with the development of individual properties as well as assuring that a single Applicant cannot obtain all Permits available for certain periods of time, thus limiting development by other Applicants or confining a development to a single area to the exclusion of other areas, especially in-fill areas.

M. Crestline Lake Arrowhead Water Agency (CLAWA) Overlap Area In 2003 the District and CLAWA identified 436 parcels that include 298 residences which are located within the boundaries of the Arrowhead Woods certificated water service area and the CLAWA water service area commonly referred to as the Overlap Area. In July 2003 the District and CLAWA entered into an agreement regarding a State Water Project water supply for the Overlap Area. Under this agreement, the District pays regular rates and charges to CLAWA for delivery of an amount equal to the average annual use of the homes in the Overlap Area. The agreement also addresses delivery of water to satisfy previous use within the Overlap Area as well as advance deliveries for future use in the Overlap Area.

THE BOARD OF DIRECTORS OF THE LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT ORDAINS AS FOLLOWS:

1. Incorporation of Recitals and Rules and Regulations. The Recitals set forth above are incorporated herein and made an operative part of this Ordinance No. 65. The District's Rules and Regulations, as they may be amended from time to time, are hereby incorporated herein. In the event of a conflict between the provisions of this Ordinance and the provisions of the Rules and Regulations, the provisions of this Ordinance shall control. Unless specifically set forth herein, the terms set forth herein shall have the same definition and meaning as any such terms may have under the Rules and Regulations. Upon the effective date of this Ordinance, the Water Connection Policy established by this Ordinance shall be deemed to be part of the Rules and Regulations and the provisions of this Ordinance shall be included in subsequent publications of the Rules and Regulations.

2. Implementation Pursuant to Ordinance No. 58. This Ordinance No. 65 is hereby adopted pursuant to, and in accordance with, the provisions of Ordinance No. 58 and continues the District Water Conservation Policies. In the event of a conflict between the provisions of Ordinance No. 58 and the provisions of this Ordinance No. 65, the provisions of this Ordinance No. 65 shall control.

3. New Water Service Permits Per Month and Per Calendar Year. For the purpose of determining the yearly and monthly maximums a connection shall be considered to be the equivalent of a 5/8 inch size potable water meter. Any larger size meter and the impact on the yearly and monthly maximums shall be subject to approval by the District Board of Directors pursuant to such consistent standards as the Board shall adopt. Water meters for fire sprinkler systems as required by the County of San Bernardino are not included in determining the yearly and monthly maximums. As a condition of service all persons issued a Permit shall comply with the District's Mandatory Landscape Standards. Permits for service in the CLAWA Overlap Area as described in Paragraph M above are not included in determining the yearly and monthly maximums and are hereby exempt from this Ordinance No. 65 to the extent that CLAWA itself has water available under its State Water Project Water Supply Contract.

(a) Yearly Maximum Based on the above-mentioned historical average of new connections per year and the factors which are to be considered in connection with the 2005 UWMP, there shall be a maximum of sixty (60) new Permits for service within the Arrowhead Woods Certificated Water Service Area, allocated per calendar year ("Yearly Maximum").

(b) Monthly Maximum The Yearly Maximum for new Permits shall be granted, and otherwise allocated, to new customers at the maximum rate of five (5) new Permits per month for the months of October through March and five (5) new Permits per month for the months of April through September ("Monthly Maximum") during the applicable calendar year. For the purposes of the remaining months in the calendar year 2006, from and after the effective date of this Ordinance, the Monthly Maximum shall apply and no additional Permits in excess of said Monthly Maximum shall be granted for calendar year 2006. The Yearly Maximum shall then apply to subsequent calendar years commencing with calendar year 2007. The District shall limit the number of Permits granted to any Applicant to two (2) of the new Permits available to be granted per month pursuant to the Monthly Maximum. If there are any new Permits available to be granted at the end of any given month, then said balance for that Monthly Maximum shall be rolled over to the subsequent month. In the event there is any balance of new Permits available to be granted, as a result of said rollover, at the end of my calendar year, said balance shall not be rolled over to the subsequent calendar year. New Permits will be approved on a "first come first serve" basis and are non-transferable. Once the new Permit allocation for a particular month has been exhausted, an Applicant can be placed on a waiting list for the next month for which Permits will be available, if said Applicant satisfies the applicable requirements of the Rules and Regulations. A position on the waiting list cannot be transferred to another owner or property.

(c) Yearly Review For the purpose of analyzing the effectiveness of this statute and the management of the District's water resources, the Board shall review the water usage of the District and appropriateness of the restrictions required by this Ordinance. The yearly review shall be conducted each calendar year beginning January 2007.

4. Water Service Permits For Remodels, Additions or Change of Use The limitations and eligibility requirements set forth in Section 3 of this Ordinance No. 65, in connection with Yearly and Monthly Maximums, shall not apply to Applicants for water service Permits for remodels, additions or change of use under the applicable provisions of the District's Rules and Regulations provided that such Applications do not increase the existing number of connections whether by increased meter size and/or additional meters. As a condition of service, remodel, addition or change of use, the applicant shall comply with the District's Mandatory Landscape Standards.

5. Water Service Permits For Commercial Development The limitations and eligibility requirements set forth in Section 3 of this Ordinance No. 65, in connection with Yearly and Monthly Maximums, shall apply to Applications by a Commercial Customer for a business enterprise under the applicable provisions of the District's Rules and Regulations. As a condition of service for commercial development, the applicant shall comply with the District's Mandatory Landscape Standards.

6. Water Service Permits For Subdivision Projects The limitations and eligibility requirements set forth in Section 3 of this Ordinance No. 65, in connection with Yearly and Monthly Maximums, shall apply to Applications for a Subdivision or multiple unit development Project under the applicable provisions of the District's Rules and Regulations.

7. Granting Water Service Permits

(a) Eligibility for the purposes of the limitations and eligibility requirements set forth in this Ordinance No. 65, a New Water Service Connection will be deemed to be granted to an Applicant upon issuance of the Permit pursuant to the applicable provisions of the District's Rules and Regulations, assuming a Permit is available given the limitations imposed by this ordinance. Applicants for permits shall be placed on a waiting list in order of receipt. Therefore, in order to be granted a Permit or to be placed on a waiting list for a Permit, an Applicant shall bring to the District Engineering office a copy of the approved set of building plans that bear the San Bernardino County Department of Building and Safety's stamp on each page and must have satisfied all applicable requirements of the Rules and Regulations for Connection to the Water System. An Applicant is not entitled to receive a water meter and to connect to the water system unless a Permit has been issued by the District.

(b) Future Service Availability Letters As of the effective date of this Ordinance No. 65, all future Service Availability Letters shall expressly state that the subject Applicant shall not be eligible for a connection under this Water Connection Policy, unless or until issuance of the Permit pursuant to the applicable provisions of the District's Rules and Regulations.

(c) Water Service Installation As of the effective date of this Ordinance No. 65, new water service connections (or water meters) shall only be installed after the foundation has been constructed.

8. Duration of Permit A Permit shall expire six (6) months from the date of issuance if a water meter connection is not completed. Prior to the expiration of the Permit, an applicant may request and be granted a one time ex-tension for an additional six (6) months upon payment to the District, prior to expiration of the Permit, of the difference between the permit connection fees that have already been paid and the permit connection fees at the date of the Permit's expiration. If a water meter connection is not made within one (1) year from the date the Permit is issued, the Permit will expire and become void.

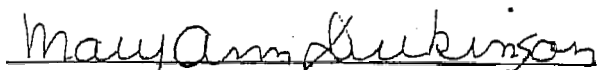
9. CEQA Compliance This Ordinance is statutorily exempt from CEQA because it is a measure enacted pursuant to Water Code section 350 et seq. limiting the number of future water connections necessary to mitigate a water shortage within the District due to the Order as explained herein, Therefore, this Ordinance is exempt from the requirements of CEQA pursuant to Public Resources Code section 21080(b)(4) and State CEQA Guidelines section 15269 (c). In addition, this Ordinance enacting a Water Connection Policy limiting the number of future connections issued by the District is not a project within the scope of CEQA and does not require further environmental analysis. (Pub. Res. Code, § 31065, State CEQA Guidelines, §§ 15060(c) & 15378.) This Ordinance will decrease the rate at which future water connections to the District's water system are issued and will not cause a direct or reasonably foreseeable indirect physical change in the environment. This Ordinance does not change any of the actions of the District, nor the way in which any actions are conducted. Consequently, no direct physical changes in the environment as defined by State CEQA Guidelines, sections 15064(d)(1) and 15382 will result. Furthermore, no indirect physical changes in the environment are anticipated as a result of the Water Connection Policy as defined by State CEQA Guidelines, sections 15064, subdivision (d)(2) and 15382.

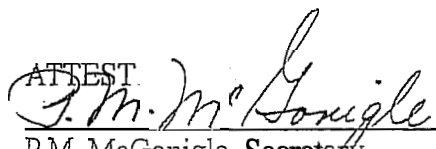
10. Severability. If any section, subsection, clause or phrase in this Ordinance No. 65 or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Ordinance No. 65 or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board hereby declares that it would have passed this Ordinance No. 65 and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

ADOPTED by the Board of Directors of the Lake Arrowhead Community Services District at a regular meeting held on May 9, 2006, by the following votes:

<i>AYES:</i>	Dickinson, Goss & Heyck
<i>NOES:</i>	None
<i>ABSTENTIONS:</i>	None
<i>ABSENT:</i>	Keefe & Sievers

LAKE ARROWHEAD COMMUNITY SERVICES
DISTRICT


Mary Ann Dickinson, President of the Board of
Directors of the Lake Arrowhead Community
Services District

ATTEST

P.M. McGonigle, Secretary
Lake Arrowhead Community Services
District

(SEAL)

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

STATE OF CALIFORNIA)
 :
COUNTY OF SAN BERNARDINO)

I, Patti McGonigle, Executive Assistant and Clerk of the Board, do hereby certify that Ordinance No. 65, A n Ordinance of the Board of Directors of the Lake Arrowhead Community Services District, County of San Bernardino, State of California Water Connection Policy of the Lake Arrowhead Community Services District Recitals has been dully published.

Patti McGonigle
Patti McGonigle
Executive Assistant and
Clerk of the Board of the
Lake Arrowhead Community
Services District

LACSD Ordinance No. 69

ORDINANCE NO. 69

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA REGARDING WATER USE EFFICIENCY MANAGEMENT

This Ordinance shall establish the Water Use Efficiency Policy of the Lake Arrowhead Community Services District ("District").

RECITALS

WHEREAS, on January 13, 2006, the State Water Resources Contract Board ("State Board"), issued Order WR 2006-0001 ("Order"). The Order, while upholding the District's pre-1914 water rights for consumptive purposes, presently limits the District to withdrawals up to 1,566 acre feet per year from Lake Arrowhead commencing in 2008; and

WHEREAS, for the last 5 calendar years (2003 – 2007), the District's total water demands ranged from approximately 2,300 to 2,700 acre feet. During a year with average precipitation, the District has the following sources and approximate amounts of water suitable for potable use available to service its Customers on a calendar year basis: surface water from Lake Arrowhead (up to 1,566 acre feet per calendar year), State Water Project water delivered by Crestline Lake Arrowhead Water Agency ("CLAWA") (760 acre feet per calendar year for a contract term of 10 years), State Water Project water delivered by CLAWA (62 acre feet per calendar year for CLAWA overlap customers within the District's boundaries), and ground water from District owned wells (185 acre feet per calendar year). State Water Project water and ground water from the District's wells may be negatively impacted in years of below average precipitation and is therefore interruptible; and

WHEREAS, in years when the District's Annual delivery from CLAWA exceeds 760 feet, less water is necessarily available during the remaining term of the CLAWA contract; and

WHEREAS, Water Code Section 350 provides that the District may declare a water shortage emergency to prevail within the area it serves when it finds that the ordinary demands and requirements of water consumers cannot be satisfied without depleting the water supply; and

WHEREAS, Water Code Section 353 provides that once the District has declared such a water shortage emergency, it shall adopt such regulations and restrictions on the delivery and consumption of water to conserve the water supply for the greatest public benefit with particular regard to domestic use, sanitation, and fire protection; and

WHEREAS, Water Code Section 375 et seq. provides that the District may adopt an ordinance that establishes a water conservation program that may require, among other regulations, the installation of water-saving devices which are designed to reduce water consumption; and

WHEREAS, due to the limitation imposed upon the District by the Order, the present non-permanent and non-reliable availability of other sources for water and the current demands on the District for water, in a dry year or multiple dry year period, the available supply of water may be less than necessary to satisfy all needs of the District's present and/or future Customers for all current water usages. Consequently, until the District secures a predictable and reliable source or sources of water, there is an immediate water shortage, necessitating conservation efforts and restrictions on unnecessary or non-essential uses of water to

ensure that the District has sufficient water supplies for human consumption, sanitation and fire protection; and

WHEREAS, on May 9, 2006, the District determined and declared a water shortage emergency and adopted Ordinance No. 65 establishing a Water Connection Policy of the District. Ordinance 65 established a yearly maximum limit of sixty (60) new permits for service within the Arrowhead Woods Certified Water Service Area; and

WHEREAS, on June 27, 2006, the District adopted Resolution 2006-07 again declaring a water shortage emergency condition pursuant to Water Code Section 350 et seq.; and

WHEREAS, on June 27, 2006, concurrently with the declaration of water shortage emergency, the District adopted Resolution 2006-08 that implemented certain landscape restrictions; and

WHEREAS, California Constitution article X, section 2 provides that because of conditions prevailing in the State, the water resources of the State shall be put to beneficial use to the fullest extent of which they are capable, the waste or unreasonable use of water shall be prevented, and the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and the public welfare; and

WHEREAS, Water Code section 106 provides that it is the declared policy of the State that the use of water for domestic use is the highest use of water and that the next highest use is for irrigation; and

WHEREAS, the unrestricted use of District water for irrigation of landscaping (that is not necessary for fire protection or erosion control) is a nonessential use. If such use is regulated, prohibited or restricted during the period of the water shortage emergency, such regulations, prohibitions and restrictions will assist in the conservation of water for domestic use, sanitation and fire protection and will assist in minimizing the wastage of District water; and

WHEREAS, the three purposes of this Ordinance, which is adopted pursuant to Water Code Section 375, et seq., are: (1) to conserve the District's water supply for the greatest public benefit by providing for water conservation under the declaration of a water shortage emergency condition in order to minimize the effect of a shortage of water to the Customers of the District (2) to adopt provisions that will change the water-use habits of Customers to significantly reduce the consumption of water for the long term human consumption, sanitation and fire protection of the Customers (3) to consolidate all of the water conservation policies and regulatory measures of the District in one ordinance; and

WHEREAS, upon adoption, this Ordinance shall be effective immediately. Within 10 days after its adoption, this Ordinance shall be published in the local newspaper. Upon the effective date of this Ordinance, this Ordinance shall supersede and otherwise have control over the following ordinance: Ordinance Number 58 ("Previous Ordinances"). Upon the effective date of this Ordinance, this Ordinance shall supersede and otherwise have control over Resolution Number 2006-08 ("Previous Resolution"). Upon the effective date of this Ordinance, the Previous Ordinance and Previous Resolution, to the extent they are inconsistent with any provisions herein, shall be of no further force or effect; and

THE BOARD OF DIRECTORS OF THE LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT ORDAINS AS FOLLOWS:

**SECTION 1
INCORPORATION OF RECITALS**

The recitals set forth above are true and correct and incorporated herein and made part of this Ordinance.

**SECTION 2
DEFINITIONS**

The following words and phrases, whenever used in this Ordinance, shall be construed as defined in this Section unless from the context a different meaning is intended, or unless a different meaning is specifically defined within individual Sections of this Ordinance:

"Billing Unit" means the unit used to apply water rates for purposes of calculating commodity charges for Customer water use and equals one hundred (100) cubic feet (CCF) or approximately seven hundred forty-eight (748) gallons of water.

"Board" means Board of Directors of the Lake Arrowhead Community Services District.

"Certificated Water Service Area" means the geographical area for which the District supplies water, commonly referred to as the Arrowhead Woods Certified Water Service Area.

"Customer" means any person, persons, entity, association, corporation or governmental agency or any other entity or user supplied with water service by the District within the Certificated Water Service Area or the manager, lessee, agent, servant, officer or employee of any of them or any other entity which is recognized by law as the subject of rights or duties.

"District" means the Lake Arrowhead Community Services District.

"General Manager" means the General Manager of the Lake Arrowhead Community Services District.

"Gray Water" is defined as untreated wastewater which has not been contaminated by any toilet discharge, has not been affected by infectious, contaminated, or unhealthy bodily wastes, and which does not present a threat from contamination by unhealthful processing, manufacturing, or operating wastes. Gray water includes wastewater from bathtubs, showers, bathroom washbasins, clothes washing machines, and laundry tubs but does not include wastewater from kitchen sinks or dishwashers.

"Hardscape" refers to all impermeable surfaces included as a permanent part of a Customer's landscaping including erosion control installations, sidewalks, driveways, decorative paving and patios.

"His" as used herein includes masculine or feminine, as appropriate.

"Improved zone" means the portion of the Property Owner or Customer's parcel that is landscaped and irrigated with District water.

"Landscaping" means the installation and maintenance of some combination of organic plant material that includes trees, shrubs, vines, ground covers, annuals, perennials and lawns and also includes outdoor decorative features or structures that use District water such as, but not limited to, fountains, ponds and waterfalls.

"Existing landscaping" as used herein refers to landscaping that currently exists and which has been consistently maintained on the current Property Owner's or Customer's parcel with District water.

"Natural zone" as used herein refers to the area of the Property Owner's or Customer's parcel which is only planted with native trees and shrubs and irrigated with District water by bubbler only until trees and shrubs are established.

"Ordinance" means the Water Use Efficiency Policy Ordinance of the Lake Arrowhead Community Services District..

"Property Owner" means the record owner or owners of real property based on the San Bernardino County Assessor's records.

"Section" means a Section of this Ordinance unless some other ordinance or statute is specifically mentioned.

"Recycled Water" under California law means water, which, as a result of treatment of waste, is suitable for a directly beneficial use or a controlled use that would not otherwise occur and is therefore considered a valuable resource.

"Vehicles" means automobiles, trucks, trailers, boats, airplanes, and other types of mobile equipment.

SECTION 3 AUTHORIZATION

The General Manager and his designees are hereby authorized and directed to immediately implement the applicable provisions of this Ordinance upon the effective date hereof.

SECTION 4 APPLICATION

The provisions of this Ordinance shall apply to all Customers and property served by the District within the District's Certificated Water Service Area boundaries. Nothing in this Ordinance is intended to affect or limit the ability of the District to respond to an emergency, including an emergency that affects the ability of the District to supply water.

SECTION 5
PERMANENT WATER USE RESTRICTIONS
APPLICABLE TO ALL CUSTOMERS

Pursuant to the Recitals above, the Permanent Water Use Efficiency Policy immediately requires the following restrictions on District water use based on the declaration that water use in contravention of these practices constitutes a waste of District water and use of District water that is unnecessary and/or non-essential.

A OUTDOOR CLEANING PRACTICES

1. There shall be no hose washing of any hard or paved surfaces including, but not limited to sidewalks, walkways, driveways, parking areas, patios, porches, decks, and verandas, except that, flammable or other dangerous substances may be, if otherwise permitted by law, disposed of by direct hose flushing for the benefit of public health and safety. Sweeping is encouraged for routine maintenance. Washing patios, porches, decks and verandas shall be by bucket and mop or high-pressure washer only.
2. No water shall be used to clean, fill or maintain levels in decorative fountains, ponds, lakes or similar structures used for aesthetic purposes unless such water is part of a recirculation system.
3. Vehicles may be hand washed using a bucket while parked on residential properties. Rinsing may be done by using a leak free hose equipped with a positive shut off nozzle, but not in a manner that causes or allows excess water to flow or runoff onto an adjoining sidewalk, street, gutter or ditch.

B HOSPITALITY INDUSTRY STANDARDS

No restaurant, hotel, cafe, cafeteria or other public place where food is sold, served or offered for sale, shall serve drinking water to any person unless expressly requested.

C LEAK-FREE MAINTENANCE STANDARDS

No Customer of the District shall permit water to leak from any facility on the Customer's premises. A person may not:

1. fail to repair a controllable leak, including a broken sprinkler head, a leaking valve, leaking or broken pipes, or a leaking faucet;
2. operate a permanently installed irrigation system with
 - a. a broken head resulting in any leakage;
 - b. a head that is out of adjustment and the arc of water from the spray head is over a street or parking lot; or
 - c. a head that is misting because of high water pressure when the system is not in operation.

D IRRIGATION PRACTICES STANDARDS

1. Lawns, trees, shrubs and other landscaping may not be watered beyond what is needed for natural growth and to sustain life. Water may not be permitted to pool or collect to the point of run-off. No Customer shall water or irrigate any lawn, landscape, or other area in a manner that causes or allows excess water to flow or run-off onto an adjoining sidewalk, driveway, street, gutter or ditch.
2. It is provided further that commercial nurseries, landscape managers and professional gardeners holding a current Business License and acting for or on behalf of a Customer shall be exempt from the provisions of this subsection for the purposes of landscape maintenance, including the application of treatments such as pesticides and fertilizers. They shall, however, be subject to the provisions of this Ordinance when they are acting to set an irrigation system's regular watering schedule on behalf of a Customer.
3. The prohibited uses set forth in this subsection do not apply to Recycled or Gray Water. The use of Recycled or Gray Water shall be subject to the requirements and limitations as set forth by the applicable County and State regulatory authorities.
4. Between October 16th and April 30th, all outdoor irrigation shall be shut off and irrigation systems shall be winterized to prevent ruptured pipes and leaks. If a Customer's irrigation is still on as of October 16th or turned on prior to May 1st, the Customer's water meter is subject to being shut off by District staff after seventy two (72) hours written notice to the customer at his last known address and the Customer's failure to turn off the outdoor irrigation. If the District turns off a Customer's water meter pursuant to this Subsection, a shut off fee established by the District will be applied to the Customer's water account.
5. Automated irrigation of all landscapes, plants, trees and land may be done only between the hours of 6:00 p.m. and 8:00 a.m., with the exception of newly seeded plants and other new planting, which may be watered intermittently until rooting is established.
6. Outdoor irrigation shall only be allowed on the following days during the established irrigation season and hours:

Monday Wednesday Friday

E LANDSCAPING STANDARDS

1. No Customer shall use District water to irrigate property outside the boundaries of the parcel to which service is being delivered.
2. No new turf or lawn (seed or sod) that uses District water shall be installed or maintained by any District Customer (existing or new) until the water shortage emergency is declared over by the Board or this Section of the Ordinance is rescinded. This prohibition includes the one hundred fifty square feet of landscaping exempted by 4(a) and 5(a). The reseeded, installation of replacement sod and/or refurbishment of existing lawns are exempt from this restriction provided the total existing square footage of sod or lawn is reduced by 50%. These restrictions do not apply to institutional Customers using recycled water.

3. No new water features that use District water, including, but not limited to ponds, waterfalls and fountains may be installed without a recirculation system.
4. The following provisions apply to customers without existing landscaping:
 - a. New landscaping that uses District water shall be limited to an improved zone that is no larger than 50% of the undeveloped area of the parcel, however, the improved zone shall not exceed 10,000 square feet. Planting in the improved zone is limited to the District's drought tolerant plant list, except for up to one hundred fifty square feet of the improved zone which may be planted and maintained with plant materials not on the District's drought tolerant plant list.
 - b. The natural zone must be at least 50% of the undeveloped area of the parcel. New trees in the natural zone may be planted to replace lost trees and are limited to the District's reforestation tree and native shrubs list. Trees must be spaced at least 20' apart and may be irrigated with District water by bubbler only. Irrigation that uses District water must be turned off permanently once trees and shrubs are established.
5. The following provisions apply to customers with existing landscaping:
 - a. For Customers with existing landscaping, the installation of landscaping that uses District water shall only be allowed in areas where existing landscaping is being replaced or refurbished and such landscaping shall not increase the square footage of a Customer's property that is dedicated to landscaping, shall not increase the use of District water and the landscaping used shall be limited to the District's reforestation tree and native shrubs list and drought tolerant plant list. Up to one hundred fifty square feet of said replaced or refurbished landscaping may be planted and maintained with plant materials not on the District's drought tolerant plant list.

F WATER USE EFFICIENCY AUDITS

Residential Customers whose annual water use is greater than 200 Billing Units (equals 0.46 ac/ft or 149,600 gallons) on any District account in two of the preceding three years are required to complete a water use efficiency audit performed by an independent water use efficiency professional approved by the District.

SECTION 6 PENALTIES

Except as provided herein, the penalties and regulatory fees for failure to comply with the required water use standards established pursuant to this Ordinance shall be cumulative within the separate provisions of this Ordinance.

A PENALTIES FOR VIOLATION OF PERMANENT WATER USE RESTRICTIONS

The penalties and regulatory fees to be imposed for violations of any of the provisions of this Ordinance shall be as follows:

1. For the first violation by any Customer of any of the provisions of this Ordinance, the District shall issue a written notice of the fact of such violation to the Customer.

2. For a second violation by any Customer of any of the provisions of this Ordinance within a calendar year, the District shall issue a written notice of the fact of such violation to the Customer and impose a penalty in the amount of 25% of the Customer's water consumption charges for the parcel of property where the violation occurred for the billing period in which the violation occurred.
3. For a third violation by any Customer of any of the provisions of this Ordinance within a calendar year, the District shall issue a written notice of the fact of such violation to the Customer and impose a penalty in the amount of 50% of the water consumption charges for the parcel of property where the violation occurred for the billing period in which the violation occurred.
4. For a fourth violation by any Customer of any of the provisions of this Ordinance within a calendar year, the District shall issue a written notice of the fact of such violation to the Customer and impose a penalty in the amount of 100% of the water consumption charges for the parcel of property where the violation occurred for the billing period in which the violation occurred.
5. After a fourth violation of any of the provisions of this Ordinance, the District shall issue a written notice of the fact of such violation to the Customer and may install a water flow restricting device of one gallon per minute (1 GPM) for service lines up to one and one-half inches (1-1/2") size and comparatively-sized restrictors for larger services or terminate a Customer's service, in addition to the regulatory fees and penalties provided for herein, upon a prior determination that the Customer has repeatedly violated this Ordinance or District rules and regulations regarding the conservation of water and that such action is reasonably necessary. A regulatory fee as established by the District's Rules and Regulations will be imposed on the Customer's account for any installation and removal of the flow restrictor or termination of District water service.

The water restrictor may be removed or water service restored after the Customer demonstrates that the cause of the violation has been corrected and that all fines, penalties and regulatory fees have been paid.

The above penalties and regulatory fees shall be cumulative and applied in addition to the current charges of the District for Customer water consumption, including tiered rates applying to higher levels of water consumption.

B PENALTIES FOR VIOLATION OF LANDSCAPING STANDARDS

1. If District water is used in violation of the landscaping standards set forth in Section Five, Paragraph E occurs, the following penalties and regulatory fees will be imposed:
 - a. The first violation will result in a written notification sent to the Customer specifying the violation. The Customer must immediately cease using District water for any prohibited purpose or be subject to additional penalties and regulatory fees.
 - b. After 10 days of the date of initial written notification of violation, the continued prohibited use of District water will result in written notice of intent to install a flow restrictor. If all prohibited use of District water has not ceased within 72 hours of written notice of intent to install a flow restrictor, installation will result, and, consistent with District Rules and Regulations, the cost of installation of the flow

restrictor will be assessed to the Customer's account.

- c. After 10 days of the date of installation of a flow restrictor, the continued prohibited use of District water will result in written notice of intent to shut off the affected water meter. If all prohibited use of District water has not ceased within 72 hours of written notice of intent to shut off the affected water meter, the meter will be turned off, and, consistent with District Rules and Regulations, a fee will be assessed to the Customer's account. The meter will not be reinstated until the violation has been corrected and all fines, penalties and regulatory fees have been paid.
2. The above penalties and regulatory fees shall be applied in addition to the current District charges for water consumption, including fixed charges and tiered rates that may apply to water consumption. The water restrictor will be removed or water service restored after the Customer demonstrates that the cause of the violation has been corrected and that all fines, penalties and regulatory fees and penalties have been paid.
3. The District will not be responsible for any damages incurred by or resulting to the landscaping, irrigation system, or property caused by the restrictions established herein or by the water meter being shut off.

C APPEAL OF PENALTIES

1. The imposition of any penalty shall be final and effective unless appealed in writing to the Board by the Customer or Property Owner within ten days following issuance of a written violation. Notice of the appeal must be filed in the District's main office using the appropriate form provided by the District, together with any required penalties and regulatory fees then due and owing, and shall be accompanied by a written statement setting forth the reasons why the imposition of the penalty and regulatory fees are inappropriate.
2. The appeal will be heard by the Board within 30 days from the filing of the notice of appeal, or as soon thereafter as the Board meets for a regularly scheduled board meeting. Notice of the hearing on the Customer's appeal shall be mailed to the Customer at least ten calendar days before the date fixed for the hearing. Any penalties or regulatory fees imposed will remain in effect pending the Board's determination of the appeal. The determination of the Board shall be conclusive. Notice of the determination of the Board shall be mailed to the Customer within 10 calendar days of such determination.
3. Failure of a Customer to file an appeal within the required time will result in a waiver of any right to further appeal.

SECTION 7
VARIANCE/EXEMPTION

Section 9.11 of the District's Rules and Regulations for Water and Wastewater Service will not apply to the restrictions created by this Ordinance, nor shall variances or exemptions be granted.

SECTION 8
SEVERABILITY

If any Section, subsection, clause or phrase in this Ordinance or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of the Ordinance or the application of such provision to other persons or circumstances shall not be affected thereby. The Board hereby declares that it would have passed this Ordinance and each Section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more Sections, subsections, sentences, clauses, or phrases or the application thereof to any person or circumstance be held invalid.

SECTION 9
CONFLICTING PROVISIONS

If provisions of this Ordinance are in conflict with each other, any other resolution or ordinance of the District, or any State law or regulation, the more restrictive provisions shall apply.

ADOPTED by the Board of Directors of the Lake Arrowhead Community Services District at a Regular Meeting held on June 10, 2008, by the following votes:

AYES: Carver, Goss, Silvers and Wagner

NOES: Ben-Hur

ABSTENTIONS: None

ABSENT: None



Geoffrey K. Goss, President of the Board of Directors of the Lake Arrowhead Community Services District.

ATTEST:



Kathleen Fankhauser, Secretary of the Lake Arrowhead
Community Services District and of the
Board of Directors thereof.

SEAL

Appendix E

**CLAWA I, CLAWA II Amended Agreements and LACC Recycled Water
Agreement**


CLAWA I Agreement

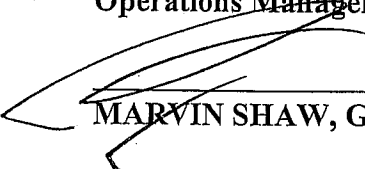
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

MEMORANDUM

DATE: July 22, 2003

TO: BOARD OF DIRECTORS
Lake Arrowhead Community Services District

FROM: KEN NELSEN 
Operations Manager


MARVIN SHAW, General Manager

SUBJECT: ADOPTION OF CEQA CATEGORICAL EXEMPTION

A. RECOMMENDATION

Board adopts categorical exemption for the construction of the Crestline Lake Arrowhead Water Agency (CLAWA) water meter turn out. Board Approve the Water Supply Connection Agreement between CLAWA and LACSD.

B. REASON FOR RECOMMENDATION

The turn-out will be placed in county road right of way in a 6X8X4 foot vault with piping connections of less then fifty feet. See attached memorandum.

C. BACKGROUND INFORMATION

The District has identified 436 parcels that are inside both the District and CLAWA boundaries. CLAWA Staff has identified the use of water for these parcels and has recommended to their Board of Directors to this amount of water to the District.

D. FISCAL IMPACT

The estimate for completing this project is \$302,000. The Board in the 2003-2004 Fiscal Budget at June 22, 2003, Board Meeting, approved the funding for this project.

#2.0

E. ATTACHMENTS

Exhibit A - Notice of Exemption

Exhibit B - Memorandum from Michelle Ouellette

Exhibit C - June 24, 2003 letter to CLAWA

Exhibit D - Water Supply Connection Agreement

Exhibit E - List of parcels from Webb and Associates

NOTICE OF EXEMPTION

TO: _____ Clerk of the Board of Supervisors FROM: Lake Arrowhead Community
or Services District
_____ County Clerk P.O. Box 700
28200 State Highway 189
County of: Suite S-100
San Bernardino Lake Arrowhead, CA 92352

1. Project Title: Brentwood/Trinity Turnout
2. Project Location - Specific: The intersection of Trinity Drive and Brentwood Drive
3. (a) Project Location - City: Unincorporated
(b) Project Location - County: San Bernardino
4. Description of nature, purpose, and beneficiaries of Project:
Installation of a section of pipeline through which the Crestline-Lake Arrowhead Water Agency will supply Lake Arrowhead Community Services District with not more than 62 acre-feet of potable water annually. The pipeline will be constructed of PVC pipe and will be approximately 50' in length. Attached pipeline facilities will consist of valves; a 4' x 6' x 4' underground concrete vault with two water meters, monitoring equipment and other appurtenances within; and possibly an air vacuum/release valve. The pipeline and its attached facilities will be installed within the County right-of-way. The Project will require minor trenching, and the soil surface will be restored to its former condition
5. Name of Public Agency approving project: Lake Arrowhead Community Services District
6. Name of Person or Agency carrying out project: Lake Arrowhead Community Services District
7. Exempt status: (Check one)
(a) ☐ Ministerial project.
(b) ☐ Not a project.
(c) ☐ Emergency Project.
(d) ☒ Categorical Exemption. State type and class number:
New construction or conversion of small structures (§15303); Class 3
Minor alterations to land (§15304(f)); Class 4
(e) ☐ Declared Emergency.
(f) ☐ Statutory Exemption. State Code section number: 21080.21
(g) ☐ Other. Explanation: _____
8. Reason why project was exempt: _____

The Project qualifies for the State CEQA Guideline section 15303 categorical exemption because it is a new construction of a small facility or structure. The Project is a small facility consisting of only approximately 50' of 4" diameter PVC pipeline, attached valves, meters, and monitoring equipment within a 4' x 6' x 4' underground vault.

State CEQA Guideline section 15304(f) exempts "minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees except for forestry and agricultural purposes....Examples include but are not limited to: Minor trenching and backfilling where the surface is restored." Because the Project is an underground pipeline less than a mile long, being installed entirely within the County right-of-way, and no healthy, mature or scenic trees will be removed, the Project also qualifies for exemption under section 15304(f) as a minor alteration in the land.

Public Resources Code section 21080.21 provides that CEQA "does not apply to any project of less than one mile in length within a public street or highway or any other public right-of-way for the installation of a new pipeline or the maintenance, repair, restoration, reconditioning, relocation, replacement, removal, or demolition of an existing pipeline. For purposes of this section, "pipeline" includes subsurface facilities but does not include any surface facility related to the operation of the underground facility." The Project is exempt because the pipeline and the vault with its contents will be underground, installed entirely within the county right-of-way, and at approximately 50' long, is well under a mile in length.

9. Contact Person: Ken Nelson

Telephone: (909) 336-5291

10. Attach Preliminary Exemption Assessment (Form "A") before filing.

Date Received for Filing: _____

(Clerk Stamp Here)

Signature (Lead Agency Representative)

Title

PRELIMINARY EXEMPTION ASSESSMENT

(Certificate of Determination When Attached to Notice of Exemption)

1. Name or description of project: Brentwood/Trinity Turnout

2. Location: Intersection of Brentwood Drive and Trinity Drive

3. Entity or person undertaking project:

 x A. Lake Arrowhead Community Services District P.O. Box 700
28200 State Highway 189 Suite S-100 Lake Arrowhead, CA 92352

 B. Other (Private)

(1) Name: _____

(2) Address: _____

4. Staff Determination:

The Agency's Staff, having undertaken and completed a preliminary review of this project in accordance with the Agency's "Local Guidelines for Implementing the California Environmental Quality Act (CEQA)" has concluded that this project does not require further environmental assessment because:

- a. The proposed action does not constitute a project under CEQA.
- b. The project is a Ministerial Project.
- c. The project is an Emergency Project.
- d. The project constitutes a feasibility or planning study.
- e. x The project is categorically exempt.
Applicable Exemption Class: 3 and 4
- f. x The project is statutorily exempt.
Applicable Exemption: §21080.21
- g. The project is otherwise exempt on the following basis:
- h. The project involves another public agency which constitutes the Lead Agency. Name of Lead Agency: _____

Date: _____

Staff _____

July 10, 2003

MEMORANDUM

ATTORNEY-CLIENT PRIVILEGE

TO: PRESIDENT AND MEMBERS OF THE BOARD OF DIRECTORS
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

FROM: MICHELLE OUELLETTE

RE: CLAWA TURN-OUT/CONNECTION TO LACSD
AND NOTICE OF EXEMPTION UNDER CEQA

Introduction: The Lake Arrowhead Community Services District ("LACSD") desires to install a "turn-out," a connection between the Crestline-Lake Arrowhead Water Agency by which LACSD seeks to purchase approximately 62 acre-feet of water per year. LACSD must comply with the California Environmental Quality Act ("CEQA") when it carries out certain projects. As a discretionary act undertaken by a public agency, the turn-out installation meets the CEQA definition of a "project" (not all projects require environmental review; certain projects are exempted from CEQA review either statutorily or categorically. When a project is exempt, no environmental review is required).

If the Project is not exempt from CEQA review, LACSD would have to prepare an Initial Study, and then either a Negative Declaration, a Mitigated Negative Declaration, or an

Environmental Impact Report. Due to the limited nature of the Project, an Environmental Impact Report should almost certainly be unnecessary. The real choice that LACSD is faced with is between seeking an exemption from further CEQA review, or preparing a Negative Declaration.

Analysis: There are several different exemptions that LACSD may take advantage of.

There are "statutory exemptions" which exempt certain projects (Pub. Resources Code §21080 *et. seq.*). A suitable statutory exemption for the Project is Public Resources Code section 21080.21, which provides in pertinent part: "[CEQA] does not apply to any project of less than one mile in length within a public street or highway or any other public right-of-way for the installation of a new pipeline....For purposes of this section, 'pipeline' includes subsurface facilities but does not include any surface facility related to the operation of the underground facility." Statutory exceptions are narrowly construed, but absolute. Because the Project is for an underground pipeline, approximately 50' in length (dramatically less than the 1-mile [5,280'] maximum), with an attached small underground vault containing valves, meters and other equipment, the Project appears to fit within this exemption. On this basis alone, the Project may be exempt from further CEQA review.

There are also "categorical exemptions," found in State CEQA Guidelines section 15300 *et. seq.* (codified at 14 Cal. Code Regs. §15300 *et. seq.*). Generally, those exemptions are certain classes of projects that the Secretary of the Department of Resources has determined generally do not have a significant effect on the environment.

One such exemption is State CEQA Guideline section 15303, entitled "New Construction or Conversion of Small Structures." In pertinent part, that section exempts projects: "consist[ing] of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small

structures from one use to another where only minor modifications are made in the exterior of the structure." The Project qualifies for this exemption because it is a new construction of a small facility or structure. The Project is a small facility in that it includes only approximately 50' of 4" diameter PVC pipeline, attached valves, meters, and monitoring equipment within a 4' x 6' x 4' underground vault. Examples of "small structures" listed in section 15303 include up to three single family dwellings (§15303(a)); multi-family residential structures of up to six dwelling units (§15303(b)); up to four stores, motels, offices, restaurants and similar structures of up to 10,000 square feet total area (§15303(c)); and garages, carports, patios, swimming pools and fences (§15303(e)). An underground 4" diameter pipeline 50' long and an underground vault with an area of 24 square feet is certainly a smaller facility or structure than the examples listed in section 15303. This exemption should therefore also be applicable.

Another applicable categorical exemption is State CEQA Guideline section 15304, entitled "Minor Alterations to Land." In pertinent part, that section exempts: "minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees except for forestry and agricultural purposes....Examples include but are not limited to: Minor trenching and backfilling where the surface is restored." Because the Project is an underground pipeline much less than a mile long, being installed within the county right-of-way, and no healthy, mature or scenic trees will be removed, the Project therefore should qualify for this exemption under State CEQA Guideline section 15304(f) as a minor alteration to the land.

The categorical exemptions are not absolute. If certain conditions are present, further

CEQA review is required. (State CEQA Guideline §15300.2). Those conditions are as follow:

- \$ Location (State CEQA Guideline §15300.2(a)): A project that is ordinarily insignificant in its impact on the environment may be significant in a particularly sensitive environment, i.e. where the project may impact on an environmental resource of hazardous or critical concern where designated, precisely mapped, and officially adopted pursuant to law by federal, state, or local agencies. It is our understanding that the Project area is not in an environmental resource of hazardous or critical concern. It is simply an installation at an already-existing road intersection. To that extent, this condition does not apply.
- \$ Cumulative Impacts (State CEQA Guideline §15300.2(b)): When the cumulative impact of successive projects of the same type in the same place, over time is significant, a categorical exemption is not allowed. The only cumulative impact from the Project would be to air quality. The South Coast Air Basin is currently in nonattainment status for particulate matter (PM10) and ozone pollution. Further impacts to those pollutant levels could be a significant impact. In order to determine whether the Project would have a cumulatively considerable impact, the actual pollution created during construction (there will be no operational air pollution from the Project) was calculated. Generously estimating that two backhoes will operate intermittently (at 50%) over two days, that two 50-mile (each way) delivery truck trips will be needed, and that five employees will have to drive 20 miles each way to work for two days, the estimated air impacts are still not significant as calculated pursuant to Chapter 6 of the 1993 South Coast Air Quality Management District AQMD CEQA Air Quality Handbook. A copy of the calculations is attached to this report as Attachment A. However, we believe that any legal challenge would in all likelihood focus on this area.
- \$ Significant Effect (State CEQA Guideline §15300.2(c)): Where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances, a categorical exemption is not allowed. Such an unusual circumstance might include endangered species. It is our understanding that the District is not aware of any "unusual circumstances" known to exist at the Project site. To that extent, this condition does not apply.
- \$ Scenic Highways (State CEQA Guideline §15300.2(d)): Impacts to resources including, but not limited to, trees, historic buildings, rock outcroppings, or

similar resources within a highway officially designated as a state scenic highway. The Project is not within a Scenic Highway. A list of scenic highways is attached to this report as Attachment B.

- \$ Hazardous Waste Sites (State CEQA Guideline §15300.2(e)). No categorical exemption is allowed for a site which is included on any list compiled pursuant to Government Code Section 65962.5. That list is also referred to as a "Cortese list." There are no sites listed on the Cortese list in the Project area. A copy of the Cortese list is attached to this report as Attachment C.
- \$ Historical Resources (State CEQA Guideline §15300.2(f)). A categorical exemption is not allowed where a project substantially adversely affects a historical resource. It is our understanding that there are no known historical resources in the Project area. To that extent, this condition does not apply.

Conclusion: The Project should be exempt from CEQA review under one or more of the above exemptions. Because CEQA allows "stacking" of exemptions, all of the above exemptions should be cited. The statutory exemption, though narrowly construed, is an excellent fit and should withstand a challenge to its use. The categorical exemptions are not as narrowly construed, as they are subject to certain conditions, but none of those conditions are present. Accordingly, both of the categorical exemptions are appropriate.

Whether the Project is actually exempt would only be determined if litigation was brought challenging the decision to exempt the project. A court would then decide if the Project was exempt, or if a Negative Declaration or an Environmental Impact Report was appropriate.

Recommendation: It is recommended that the Board of Directors approve the Project and authorize the filing of the Notice of Exemption as presented.

If you have any questions regarding this matter, or need any assistance with this matter,
please do not hesitate to contact myself or Anthony Beaumon.

Lake Arrowhead



Community Services District

June 24, 2003

Roxanne M. Holmes, General Manger
Crestline-Lake Arrowhead Water Agency
P. O. Box 3880
Crestline CA 92325

Dear Ms. Holmes:

The Lake Arrowhead Community Services District (District) Board of Directors respectfully requests the Crestline Lake Arrowhead Water Agency (Agency) provide State Water Project water to the District for the benefit of [298] residences as described in Attachment A of this letter. The District understands that these residences are located coterminous within the boundaries of both the Arrowhead Woods portion of the District's service area and the Crestline Lake Arrowhead Water Agency (Agency).

Provided here for your consideration is background information intended to explain the events that have led up to this request and to explain what the District understands as to the status of the coterminous residences. Also provided is a specific request for the Agency to provide a supply of State Water Project water for the benefit of these residences and agreement by the District to pay for cost water service fees and charges relating to this request.

BACKGROUND INFORMATION

State Water Project facilities were planned and constructed by the California Department of Water Resources. Regional water supply agencies (State Water Project Contractors) have financed the construction of project facilities and continue to fund its operations and maintenance in return for long-term contracts for deliveries from the State Water Project.

The District is not a member of or otherwise affiliated with any State Water Project Contractor and for this reason is not entitled to directly purchase State Water Project water.

Water / Wastewater Systems
P.O. Box 700
Lake Arrowhead, CA 92352
(909) 337-8555
(909) 337-3165 Fax

Exhibit C

#2.12

As you well know, the Agency is the State Water Project Contractor located in the San Bernardino Mountains. It has a contract for 5,800 acre-feet/year of State Water Project water. It owns and operates a water treatment plant and conveyance facilities that it uses to treat water it extracts from Lake Silverwood and deliver it through approximately 30 wholesale metered turnouts to retail water purveyors, camps and others extending from the communities of Crest Pines Park to Green Valley. In addition, the Agency provides retail water service to customers within CLAWA Improvement Districts A-D totaling approximately 1,100 meters.

Beginning in the later part of 2002 the Agency and District, at the District's request, began discussions to explore alternatives for the importation of State Water Project water or water that is not part of the State Water Project (Non-State Water Project water) to the District's service area.

On December 6, 2002 the District submitted to the Agency a request to 1) evaluate whether or not it is feasible for CLAWA to treat and convey Non-State Water Project water from Lake Silverwood to our District's water distribution system and if so, 2) the estimated preliminary cost of providing such services. This study evaluated three levels of possible deliveries in acre-feet/year.

On February 28, 2003 the District submitted a further request that the Agency evaluate the feasibility of District annexation to the Agency. More specifically that the Agency evaluate 1) whether or not it is feasible for the District to annex and if so, 2) the procedural requirements and estimated cost of annexation and, 3) the cost of delivering water to the District under such arrangement.

As a part of this second request, the District has acknowledged that it may be necessary for the District to procure additional State Water Project entitlement on behalf of Agency. With respect to both requests the District understands and has agreed to reimburse the Agency for all costs incurred to complete these evaluations. In other words, the District is fully responsible for payment of all costs associated with the evaluation of these two requests, including the cost of Agency staff time.

In response to the first request, the Agency has informed the District in correspondence dated March 17, 2003 and April 28, 2003 that for planning purposes, the District could assume the following:

- The Agency has available capacity to treat and deliver approximately 650 acre-feet/year – Additional pumping equipment would need to be installed for higher levels of water deliveries.
- The Agency would charge a "wheeling rate" for this service would be \$2,000 per acre-foot, this amount being subject to change by the Agency's Board of Directors.

#2.13

- The Agency would require compliance with certain other terms and conditions for service including but not limited to payment of a capital contribution of approximately \$1,610,000.

The Agency has further concluded that it could make available additional capacity to treat and deliver under certain circumstances and for additional capital costs.

In response to the second request, the Agency's engineering representative, Albert A. Webb Associates, in correspondence dated June 9, 2003, has informed the District that the estimated payment required for annexation is \$39,678,598 which includes back taxes and "Stand By Fees". As of this time the Agency has not made any representation as to whether or not an annexation could or would be approved by the Agency and likewise has not made any representation that it could make available to the District any portion of its 5,800 acre-feet/year of State Water Project water entitlement.

During the course of this work, the Agency and District have come to learn that 298 residences are located coterminous within the boundaries of both the Arrowhead Woods portion of the District's Arrowhead Woods water service area and the Agency boundary. Described below is the District's understanding of the status of coterminous residences.

- A total of 436 parcels that include 298 residences which are located coterminous within the boundaries of both the Arrowhead Woods portion of the District's service area and the Agency.
- Residences total water use is estimated to be 62 acre-feet/year (based upon the past five years of water use records).
- Residences receive and pay for their water service through the District.
- Residences have continuously paid property tax assessments to CLAWA since its inception in 1963 and have thereby paid their proportional cost for the financing of cost of construction of project facilities and continue to fund its operations and maintenance in return for long-term contracts for deliveries from the State Water Project.
- Residences continuously paid "Stand-by-Fees" to CLAWA between the years 1974 through 1993.
- Residences have deferred payment of "Stand-by-Fees" to CLAWA from 1993 to the present – This is because these residences have not received Agency water.
- Residences would be entitled to receive State Water Project water supplied through CLAWA upon payment of deferred "Stand-by-Fees" and completion of the terms and conditions set forth below.

DISTRICT REQUEST FOR WATER SERVICE

The District requests that Agency supply to the District 62 acre-feet/year of State Water Project water to serve the 298 coterminous residences described in Attachment A to this letter.

2.14

PAYMENT OF AGENCY FEES AND CHARGES

The District acknowledges and agrees to pay Agency the following water service charges and fees.

"Deposit Estimate for New Turnouts"

One Metered Turnout to be located at
Brentwood/Trinity or Brentwood/Riviera
(See Attachment B)

\$60,000

Deferred Stand-by-Fee

(436 parcels @ \$390.00 per parcel
(See Attachment A)

\$170,040

2003 Water Delivery Fee

(62 acre-feet @ \$1,150 acre/foot see

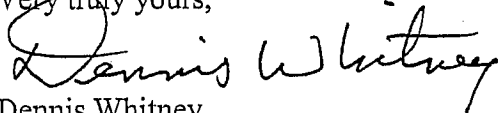
\$71,300

Total Estimated Fees and Charges

\$301,340

In closing, on behalf of the District, allow me to express our appreciation for the timeliness and professionalism of the work completed to date by the Agency staff. We look forward to discussing this request with you in greater detail as well as to pursue additional water supply and management alternatives.

Very truly yours,



Dennis Whitney
President of the Board
Lake Arrowhead Community Services District

Attachments:

- | | |
|----------------|---|
| Attachment A – | Albert A. Webb Associates Spreadsheet – "LACSD Water Services Within CLAWA" |
| Attachment B – | Albert A. Webb Associates letter dated 4/28/03 |

#2.15

2.16

* Bold entries are improved parcels within CEAWA's boundary.

••Please provide histories for each of these accounts (298 total):

***Note that the list includes two improved parcels which are sewer only accounts and two parcels which share one sewer account.

***Note that the list includes two improved parcels which are sewer only accounts and two parcels which share one service.

Assessor Parcel Number	Account No.	Street No.	Service Street	1998 (cf)	1999 (cf)	2000 (cf)	2001 (cf)	2002 (cf)	Avg Consumption (cf)
1 32905134	10383		NORTH SHORE CAMP GRO	74,300	97,900	69,700	31,600	31,100	60,920
2 33110102	20320	28914	HOOK CREEK RD	8,400	13,600	15,100	9,600	14,200	12,180
3 33110104	20332	28938	HOOK CREEK RD	2,600	700	2,600	300	300	1,300
4 33110104	20333	28942	HOOK CREEK RD	51,800	62,700	49,200	57,800	59,200	56,140
5 33110104	20334	28950	HOOK CREEK RD	1,000	-	-	-	-	200
6 33110104	20335	28946	HOOK CREEK RD	2,300	2,800	3,300	4,200	2,170	2,954
7 33110104	20337	28956	HOOK CREEK RD	3,500	4,100	14,900	10,100	2,800	7,080
8 33110104	20338	28966	HOOK CREEK RD	1,000	1,500	2,100	2,000	1,600	1,640
9 33110104	20339	28970	HOOK CREEK RD	2,200	2,900	4,000	4,800	3,600	3,500
10 33110108	20331	28930	HOOK CREEK RD	2,700	3,000	2,200	900	14,200	4,600
11 33110109	20341	28982	HOOK CREEK RD	7,100	9,100	3,300	3,100	3,100	5,140
12 33110113	20334	28950	HOOK CREEK RD	1,000	-	-	-	-	200
13 33110115	20290	251	N ST HWY 173	15,800	11,300	15,800	14,600	13,600	14,220
14 33110120	20315	28906	HOOK CREEK RD	7,890	7,900	10,800	15,100	15,800	11,498
15 33110201	23874	29003	OAK TERRACE LA	114,300	155,000	142,000	115,900	76,500	120,740
16 33110207	20346	29020	OAK TER	8,250	12,500	16,000	13,700	15,500	13,190
17 33110208	20345	29020	OAK TER	34,900	32,300	38,000	42,900	52,400	40,100
18 33110217	20360	29090	HOOK CREEK RD	77,200	85,800	58,600	77,500	70,500	73,920
19 33110218	20360	29090	HOOK CREEK RD	77,200	85,800	58,600	77,500	70,500	73,920
20 33110224	20356	29058	HOOK CREEK RD	9,100	10,000	8,800	5,700	8,440	8,440
21 33110225	20357	29040	HOOK CREEK RD	6,400	10,600	11,100	11,000	8,500	9,520
22 33110226	20355	29028	HOOK CREEK RD	1,800	700	600	7,700	10,100	4,180
23 33110227	23915	29022	HOOK CREEK RD	-	-	-	-	3,400	1,700
24 33110228	20353	29046	HOOK CREEK RD	1,000	-	-	100	-	220
25 33110229	20352	29016	HOOK CREEK RD	1,300	300	400	200	1,100	660
26 33110230	20350	28998	HOOK CREEK RD	1,400	600	600	600	1,000	840
27 33110231	20351	28994	HOOK CREEK RD	6,600	9,800	9,500	8,400	7,000	8,260
28 33110234	20349	29029	OAK TER	200	7,400	3,200	1,300	1,000	2,620
29 33110237	20306	29010	OAK TERRACE LA/ CEDAR GLEN	38,300	44,600	54,300	26,400	48,500	42,420
30 33110238	20358	29072	HOOK CREEK RD	15,100	12,800	12,000	15,900	14,300	14,020
31 33110301	20383	28905	HOOK CREEK RD	-	-	-	-	-	-
32 33110302	20385	28915	HOOK CREEK RD	2,900	5,100	4,800	5,400	3,100	4,220
33 33110304	20384	28935	HOOK CREEK RD	6,100	17,400	18,500	14,700	14,700	15,080
34 33110313	20386	230	PONDEROSA DR	6,500	11,300	10,000	10,800	9,800	9,680
35 33110315	20426	218	PONDEROSA DR	1,200	200	-	-	-	280
36 33110316	20427	212	PONDEROSA DR	1,700	10,500	3,300	6,400	5,100	5,400
37 33110317	20450	206	PONDEROSA DR	1,100	1,200	24,700	-	-	5,400
38 33110318	20436	200	PONDEROSA DR	1,000	1,800	500	34,800	300	7,780
39 33110320	20433	196	PONDEROSA DR	1,300	2,700	2,600	2,100	1,700	2,080
40 33110322	20431	197	PONDEROSA DR	3,800	5,400	5,200	5,200	6,500	5,220
41 33110324	803902	SEWER ONLY							
42 33110325	20430	164	PONDEROSA DR	9,900	15,900	13,100	10,600	10,900	12,080
43 33110401	20453	201	PONDEROSA DR	13,100	14,700	14,900	11,400	20,000	14,820
44 33110402	20419	209	PONDEROSA DR	2,800	4,200	3,200	2,200	100	2,500

Number	Assessor Parcel Number	Account No.	Street No.	Service Street	1998 (cf)	1999 (cf)	2000 (cf)	2001 (cf)	2002 (cf)	Avg Consumption (cf)
96	33111136	20375	29054	ALDER TER	4,100	5,200	5,000	4,600	3,800	4,540
97	33111137	20370	28975	CEDAR TER	7,800	11,600	5,300	7,000	9,500	8,240
98	33111207	20429	148	FIR TER	1,700	2,800	2,700	2,200	800	2,040
99	33111203	23879	138	FIR TER	3,600	4,700	5,600	6,600	6,600	5,340
100	33111204	20428	130	FIR TER	12,500	15,400	9,900	-	100	7,600
101	33111208	20408	28944	CEDAR TER	1,900	900	600	1,200	9,500	2,820
102	33111210	20432	135	FIR TER	1,100	100	200	300	100	360
103	33111211	20459	28952	CEDAR TER	1,100	300	100	100	300	380
104	33111305	20403	28975	ALDER TER	6,620	10,100	18,200	13,000	9,700	11,524
105	33111306	20438	28985	ALDER TER	7,800	10,300	9,200	8,600	7,900	8,760
106	33111307	20412	28993	ALDER TER	1,800	2,200	700	600	400	1,140
107	33111309	20411	29015	ALDER TER	1,200	3,000	400	400	500	1,100
108	33111310	20409	29029	ALDER TER	300	7,600	100	1,900	800	2,140
109	33111311	20410	29037	ALDER TER	9,400	16,000	11,200	12,300	11,100	12,000
110	33111313	20413	29055	ALDER TER	2,000	1,300	800	1,000	700	1,160
111	33111315	23888	29079	ALDER TER	6,900	12,700	12,100	12,600	5,800	10,020
112	33111316	20414	29087	ALDER TER	1,200	200	1,200	400	500	700
113	33111317	20415	29097	ALDER TER	7,500	10,800	10,100	10,700	7,900	9,400
114	33111319	800019	SEWER ONLY							
115	33111320	20407	28945	CEDAR TER	2,500	2,700	1,600	1,500	4,900	2,640
116	33429101	131199	110	ST ANDREWS	6,400	5,200	4,700	5,800	5,800	5,580
117	33429102	131198	122	ST ANDREWS	1,000	1,000	1,900	1,000	1,100	1,200
118	33429103	131197	134	ST ANDREWS	1,400	1,200	400	2,000	4,000	1,800
119	33429104	131196	148	ST ANDREWS	2,900	6,000	16,000	18,800	20,800	12,900
120	33429105	132583	162	ST ANDREWS	11,000	11,500	9,900	11,700	11,800	11,180
121	33429106	132176	26406	SPYGLASS DR	4,800	4,800	5,000	5,800	3,800	4,840
122	33429108	132612	26370	SPYGLASS DR	38,400	24,500	26,000	23,000	23,500	27,080
123	33429109	132046	26364	SPYGLASS DR	8,500	4,000	1,300	9,200	12,400	7,080
124	33429110	132048	26360	SPYGLASS DR	2,500	4,700	1,800	4,000	3,300	3,240
125	33429111	132045	26356	SPYGLASS DR	2,500	1,900	1,900	1,100	800	1,540
126	33429112	132049	26354	SPYGLASS DR	2,100	2,500	1,000	1,200	3,000	1,960
127	33429113	132180	26352	SPYGLASS DR	10,400	9,900	8,500	5,100	18,500	15,680
128	33429114	132588	26350	SPYGLASS DR	8,900	14,300	19,400	12,900	22,900	35,140
129	33429201	131156	104	FAIRWAY DR	23,000	35,200	36,500	38,700	47,300	36,140
130	33429203	131154	26696	THUNDERBIRD DR	5,000	8,400	3,900	6,100	35,700	11,820
131	33429204	131153	26692	THUNDERBIRD DR	20,600	35,800	35,000	45,000	17,400	30,760
132	33429205	131152	26690	THUNDERBIRD DR	4,500	5,500	6,300	8,900	6,300	6,980
133	33429206	132586	26688	THUNDERBIRD DR	2,300	3,200	1,600	1,500	2,000	2,120
134	33429208	131149	26684	THUNDERBIRD DR	2,600	3,800	3,800	1,800	3,300	2,600
135	33429209	132630	26492	SPYGLASS DR	200	2,500	7,500	10,500	7,100	5,560
136	33429211	131174	26488	SPYGLASS DR	2,800	3,600	1,800	2,000	3,000	2,640
137	33429212	132219	26452	SPYGLASS DR	14,900	16,200	9,500	11,700	10,800	12,620
138	33429213	131172	26438	SPYGLASS DR	14,000	12,600	14,700	11,200	12,000	12,220
139	33429214	131171	181	ST ANDREWS	10,600	1,100	400	1,100	10,200	3,540
140	33429215	131170	163	ST ANDREWS	4,900	1,100	5,500	3,600	1,900	3,225
141	33429216	131169	151	ST ANDREWS	2,200	2,200	2,600	3,000	500	2,100
142	33429217	131168	141	ST ANDREWS	1,000	1,000	-	-	400	400
143	33429218	131167	129	ST ANDREWS	11,600	9,300	5,500	5,500	24,500	11,280
144	33429220	131160	111	ST ANDREWS	20,900	21,700	14,300	20,700	32,600	22,040
145	33429301	132631	26685	THUNDERBIRD DR	3,200	2,700	2,900	3,200	3,700	3,125
146	33429302	130982	26691	THUNDERBIRD DR	18,230	5,000	3,400	4,100	3,000	6,746
147	33429303	132572	26695	THUNDERBIRD DR	6,000	6,500	10,600	13,600	22,700	11,880

01300701-030 INAGENCY DATA On a Lap_percent_ with_ has been 2 etc

April 28, 2003

Ms. Roxanne Holmes, General Manager
CLAWA
P.O. Box 3880
Crestline, CA 92325

RE: CLAWA - 6120 Pressure Zone Hydraulic Model

Dear Ms. Holmes:

Introduction

A hydraulic model of Crestline Lake Arrowhead Water Agency's (CLAWA) 6120 pressure zone was developed to locate potential connection points between CLAWA and Lake Arrowhead Community Services District (LACSD) and determine the quantity of water which could be delivered to LACSD during different times of the year. CLAWA's 2002 metered sales were used as the nodal demands for each hydraulic run. Variations in deliveries to CLAWA's customers will affect the actual quantities of water available to LACSD. It should be noted, however, that the 2002 sales represent the largest quantity of water ever delivered by CLAWA in one year.

As agreed upon by the CLAWA and LACSD staffs, two turnouts were used to simulate water deliveries to LACSD. The first was located on the 8" diameter pipeline to Deer Lodge Park at the intersection of Brentwood Drive and Trinity Drive. The second was located on the 8" diameter pipeline to Cedar Glen along Hook Creek Road.

Necessary System Additions and Upgrades

CLAWA's system will need various additions and upgrades in order to deliver water to LACSD and continue to provide dependable service to its customers. The required additions include but may not be limited to:

- Brentwood/Trinity Turnout: One (1) 6" turnout with a 4" turbine meter for high flows, 2" turbine meter for low flows, rate of flow controller, chart recorder, and connection to SCADA for monitoring and remote operation. LACSD is required to comply with all provisions of CLAWA's purveyor turnout resolution including backflow prevention,
- Hook Creek Road Turnout: One (1) 6" turnout with 4" turbine meter for high flows, 2" turbine meter for low flow, rate of flow controller, chart recorder, and connection to SCADA for monitoring and remote operation.

(LACSD may be required to provide a booster to assure water deliveries from this turnout into their system¹). LACSD is required to comply with all provisions of CLAWA's purveyor turnout resolution including backflow prevention,

- A 25Hp V.F.D. booster at either the Strawberry or Plantation Reservoir site to overcome increased headloss through CLAWA's 6120 pressure zone,
- Increased sludge handling capacity at the Lake Silverwood Water Treatment Plant, and
- An emergency generator at the Lake Silverwood Water Treatment Plant to provide backup power for booster station #1.

The two new turnouts will be paid for via a cash deposit from LACSD. If the turnout construction exceeds the deposit amount, an additional bill will be sent to LACSD. If the turnout construction is less than the deposit amount, a refund will be given to LACSD. The total estimated deposit costs are listed in Attachment "A" to this letter.

The construction and associated environmental costs for the sludge handling equipment, emergency generator and booster will be paid for by LACSD via a lump sum cash payment prior to purchasing materials and beginning construction. An itemized cost estimate is provided separately in Attachment "B" to this letter.

Hydraulic Runs

Three hydraulic runs were made for this analysis to determine delivery capabilities during CLAWA's peak, average, and lowest delivery months. In order to maintain quality service and pressure to CLAWA's customers and deliver water to LACSD, the downstream pressure settings on the PRV stations at Strawberry Flat and Cedar Glen will need to be increased by 10-20 psi and 10-15 psi respectively. In addition to increasing the pressure on the Cedar Glen pipeline, LACSD may need to boost the water into their system due to approximately equal hydraulic grade lines (pressures) in each system. The details and applicable results of each run are listed below.

- **Run A** – CLAWA's maximum demand corresponding to August 2002 metered sales. CLAWA's demand for the 6120 zone and beyond equals 2,065 gpm. Booster Station #2 is pumping 2,110 gpm which corresponds to all three pumps running together. No excess capacity exists for deliveries to LACSD.
- **Run B** – CLAWA's minimum demand corresponding to March 2002 metered sales. CLAWA's demand for the 6120 zone and beyond equals

¹ Booster may be required to dependably deliver water to meet LACSD's hydraulic grade line in their PZ 2-2, therefore we suggest LACSD consider adding a VFD booster at this turnout.

529 gpm. A total delivery of 850 gpm could be made to LACSD. The Brentwood/Trinity turnout would accommodate 400 gpm at 250 psi gage pressure (HGL 5876') and the Hook Creek turnout would handle the remaining 450 gpm.

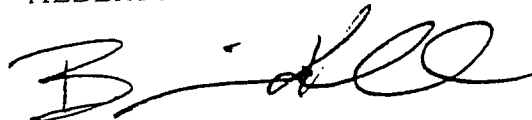
- **Run C** – CLAWA's average demand corresponding to May 2002 metered sales. CLAWA's demand for the 6120 zone and beyond equals 896 gpm. A total delivery of 700 gpm could be made to LACSD. The Brentwood/Trinity turnout would accommodate 300 gpm at 259 psi gage pressure (HGL 5897') and the Hook Creek turnout would handle the remaining 400 gpm.

Results

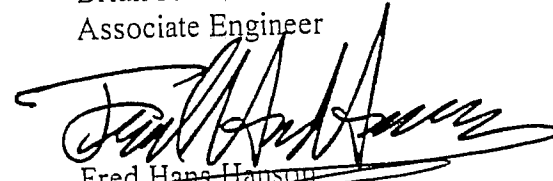
Based upon the results of CLAWA's 6120 zone model and the implementation of the recommended additions and system adjustments, we project that CLAWA could meet the Scenario 1 (see Attachment "C") water deliveries of 658 ac-ft/yr to LACSD through two new metered turnouts. Water deliveries would vary from 10-450 gpm for each turnout with the largest deliveries occurring during the spring and very minimal deliveries during the summer. The proposed turnouts are yet to be designed and finalized, but it is apparent that any water delivered through the Hook Creek turnout may need to be boosted into LACSD's system due to approximately equal hydraulic grade lines in both systems at that location. The turnout at Brentwood/Trinity has sufficient pressure to flow into LACSD's system without a booster pump. The downstream pressure on the Strawberry Flat PRV needs to be slightly increased to maintain current pressures through the Grandview area. As stated previously, these delivery estimates are based upon historical demands of current wholesale purveyors and customers of CLAWA and are therefore subject to alteration.

Sincerely,

ALBERT A. WEBB ASSOCIATES



Brian P. Knoll
Associate Engineer



Fred Hans Hanson
Vice President

cc: Marv Shaw - General Manager LACSD
BPK/FHH:sr

#2.21

ATTACHMENT "A"

DEPOSIT ESTIMATE FOR NEW TURNOUTS

1. Brentwood/Trinity Turnout: One (1) 6" turnout with a 4" turbine meter for high flows, 2" turbine meter for low flows, rate of flow controller, chart recorder, connection to SCADA for monitoring and remote operation, and environmental documentation preparation and processing. LACSD is required to comply with all provisions of CLAWA's purveyor turnout resolution including backflow prevention,

\$ 60,000 ²

2. Hook Creek Road Turnout: One (1) 6" turnout with 4" turbine meter for high flows, 2" turbine meter for low flow, rate of flow controller, chart recorder, connection to SCADA for monitoring and remote operation, and environmental documentation preparation and processing. (LACSD will be required to boost the water deliveries from this turnout into their system). LACSD is required to comply with all provisions of CLAWA's purveyor turnout resolution including backflow prevention,

\$ 60,000 ^{2, 3}

TOTAL: \$ 120,000

² Excluding cost of backflow prevention facility, to be provided by LACSD.

³ Excluding cost of VFD booster, to be provided by LACSD.

ATTACHMENT "B"

COST ESTIMATE

1. Increasing sludge handling ability at CLAWA's Silverwood WTP, including filter press and associated equipment, piping installation and environmental documentation preparation and processing.

\$ 275,000

2. Emergency generator at Silverwood WTP Booster #1 to power electric boosters during power outages, including installation and environmental documentation preparation and processing.

\$ 1,250,000

3. A 25Hp V.F.D. booster to compensate for increased headloss due to higher flow rates through CLAWA's 6120 pressure Zone, including piping, installation and environmental documentation preparation and processing.

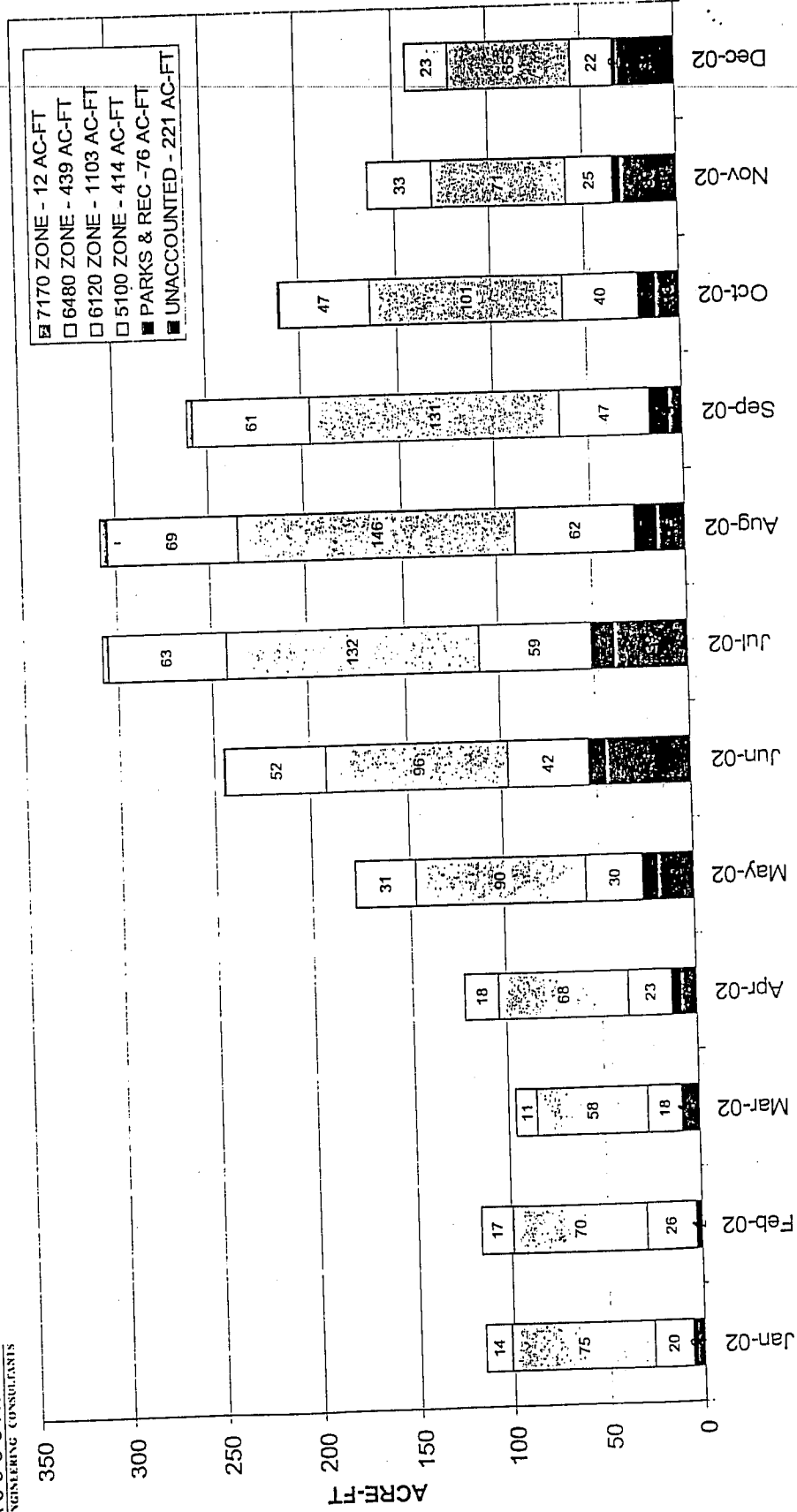
\$ 85,000

TOTAL: \$ 1,610,000

ATTACHMENT "C"

ALBERT A.
WEBB
ASSOCIATES
ENGINEERING CONSULTANTS

CLAWA'S 2002 METERED SALES PER ZONE

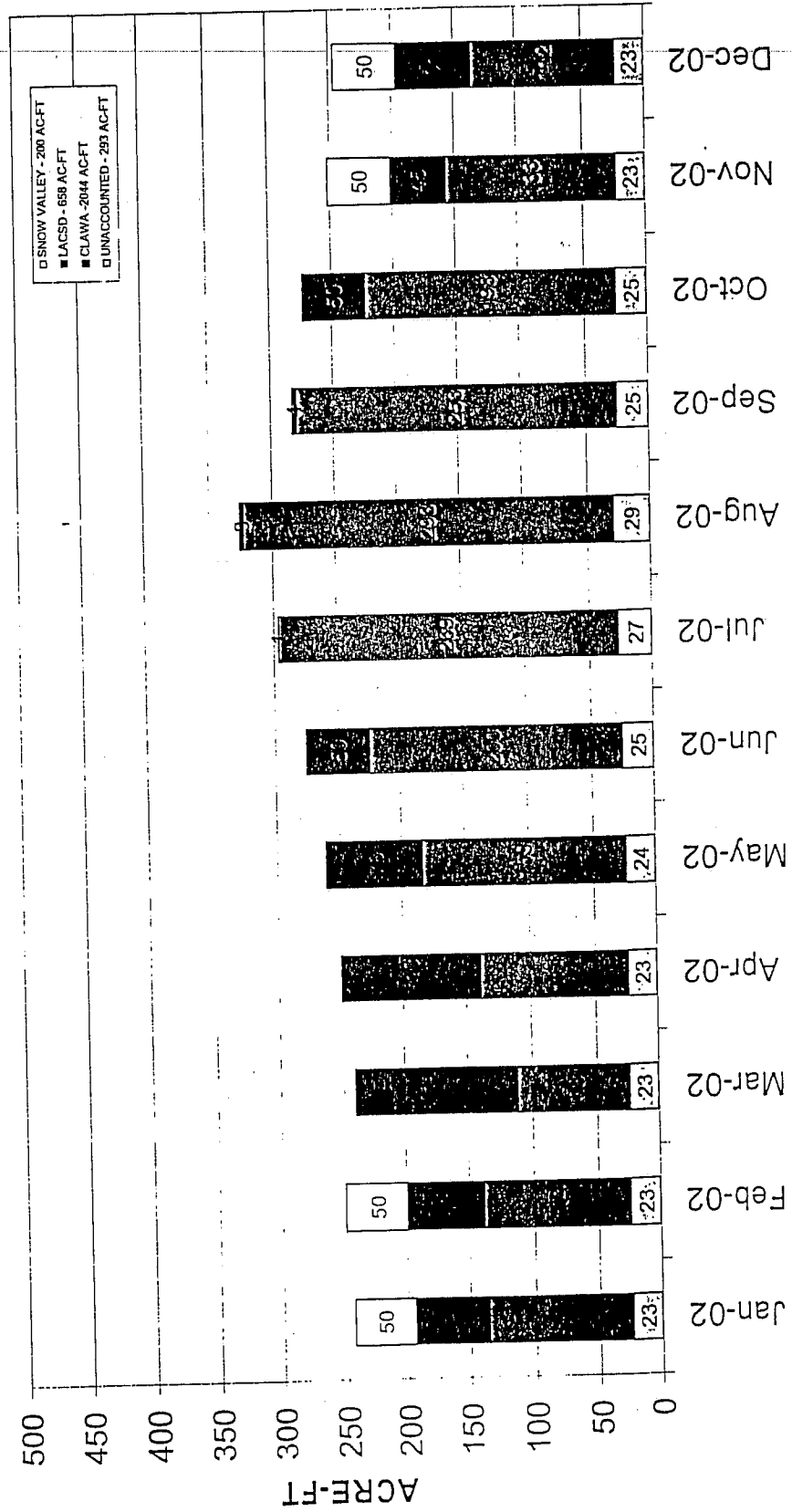


#2.24

SCENARIO 1

ALBERT A.
WEBB
ASSOCIATES
ENGINEERING CONSULTANTS

CLAWA'S ESTIMATED SYSTEM CAPACITY AVAILABLE TO LACSD AND SNOW VALLEY*

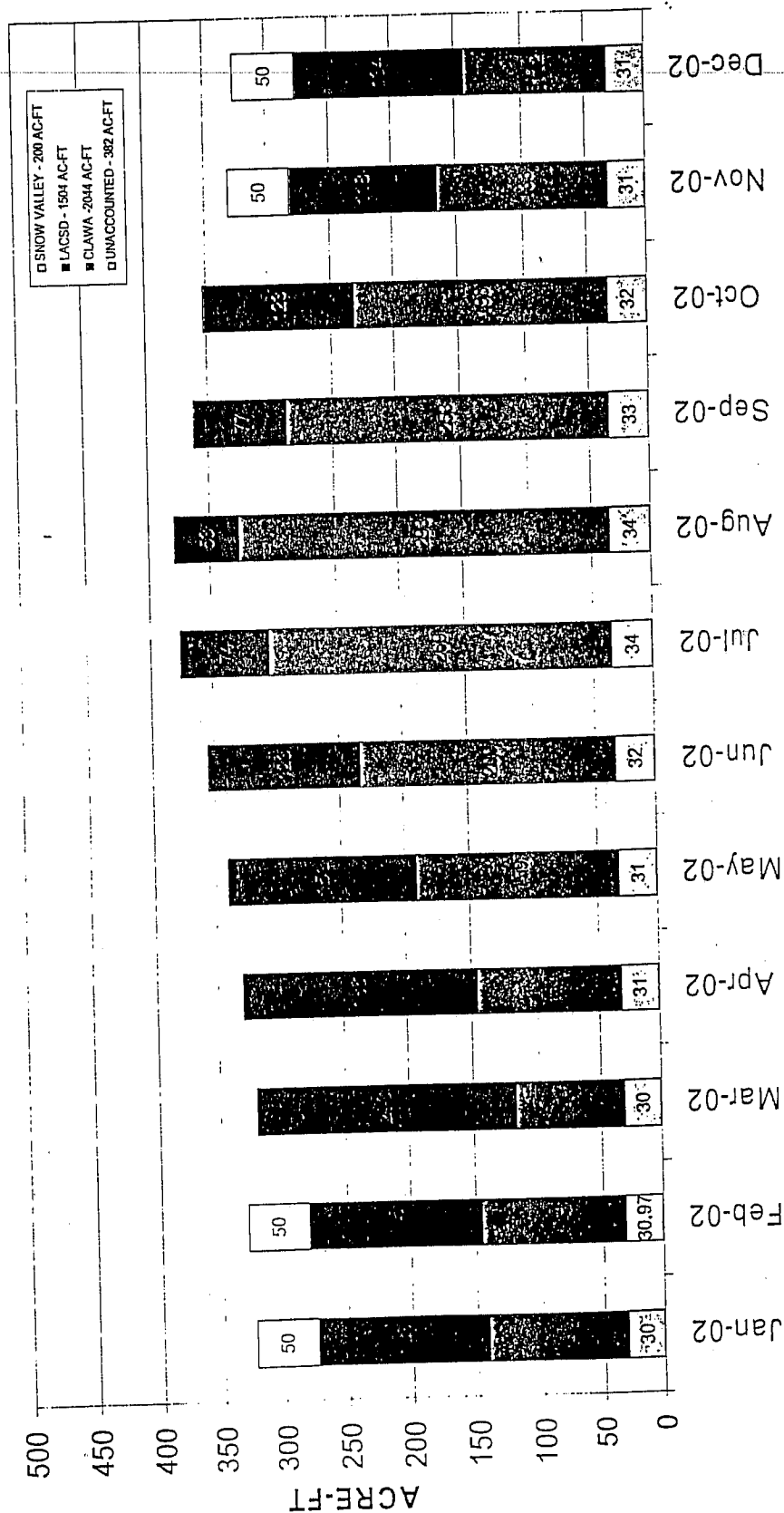


2.25

SCENARIO 2

ALBERT A.
WEBB
ASSOCIATES
ENGINEERING CONSULTANTS

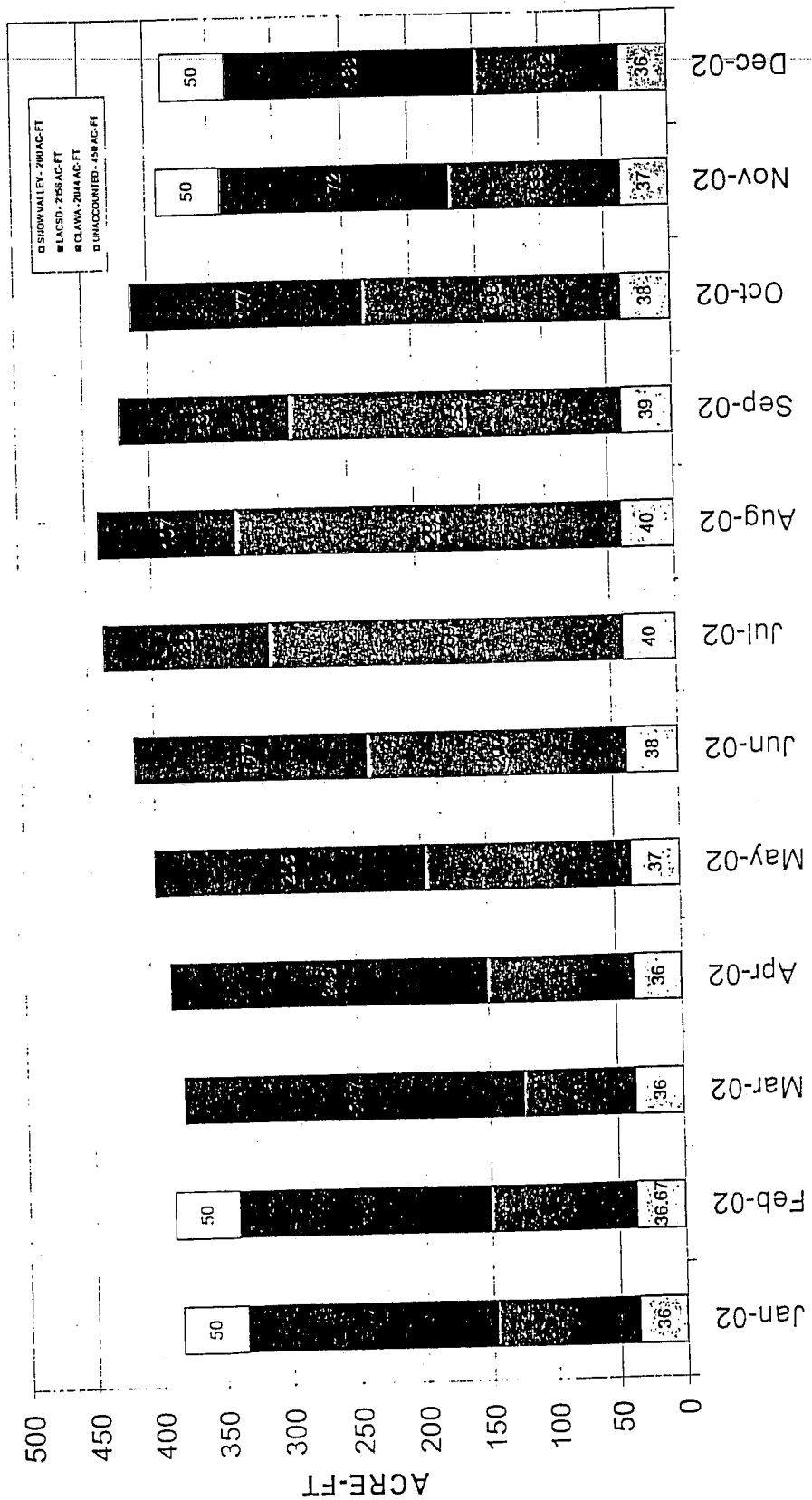
CLAWA'S ESTIMATED SYSTEM CAPACITY AVAILABLE TO LACSD AND SNOW VALLEY*



#2.26

SCENARIO 3

CLAWA'S ESTIMATED SYSTEM CAPACITY AVAILABLE TO LACSD AND SNOW VALLEY*



#2.27

WATER SUPPLY CONNECTION AGREEMENT

AGREEMENT made this 22 day of July, 2003, between the Crestline-Lake Arrowhead Water Agency, hereinafter called the "Agency", and Lake Arrowhead Community Services District, hereinafter called the "District".

WITNESSETH:

WHEREAS the Agency has entered into a contract with the State of California, dated September 28, 1964, as amended ("Water Supply Contract"), for supplemental water from the California State Water Resources Development System ("State Water Project"), and has constructed facilities for the distribution of such supplemental water within its boundaries; and

WHEREAS pursuant to its Water Supply Contract, the Agency may deliver supplemental water from the State Water Project to the District for retail delivery to property located within the boundaries of the Agency; and

WHEREAS the District wishes to obtain supplemental water from the Agency for delivery to property identified on Exhibit "A" attached hereto (the "Overlap Area"), which is located within the boundaries of both the District and the Agency;

IT IS HEREBY AGREED, in consideration of the mutual covenants of the parties, as follows:

1. Construction. In order to make water available to the District from the Agency's water system, a metering structure will be constructed. The structure shall include a concrete vault, pressure-reducing and shutoff valves, meter and other appurtenances as determined

by the Agency. The structure will be located along Brentwood Drive, near Oakmont Drive, at the specific location selected by the Agency, and will have inlet-outlet piping sized at six inches in diameter. All facilities required to make water available to the District will be designed, constructed, installed, owned and maintained by the Agency. The District shall have no interest in any facilities constructed or installed pursuant to this paragraph, and shall have no right to operate them.

2. Construction Deposit and Payment. The District shall be responsible for payment of the Agency's full cost of the work and facilities required under paragraph 1 hereof. The District has already deposited the sum of \$60,000 with the Agency to pay for such construction. Upon completion of the work the Agency shall determine the full cost thereof, shall prepare an itemized statement for the District and shall adjust the deposit accordingly. Whatever additional payment or refund may then be owed shall be paid within 30 days after mailing or other notice of such statement. Any amount not paid within such period shall bear interest at the rate of seven percent per annum.

3. District Connections. The pipelines and other facilities necessary to connect the District's water system to the metering structure shall be constructed and paid for by the District. The Agency will require the District to install a double-check valve or other approved backflow prevention assembly on the District's side of the metering structure. Plans and specifications for such work must have the written approval of the Agency before construction begins, and such work shall be subject to the inspection of the Agency. The actual connection to the metering structure shall not be made without sufficient prior notification to the Agency to allow Agency personnel to be present. The costs paid or incurred by the Agency under this paragraph shall be the responsibility of the District, and an estimate thereof shall be included in the deposit and shall be part of the full cost as finally adjusted under paragraph 2 hereof.

4. Delivery of Water. Upon completion of the metering structure and the District's connecting facilities, and payment of the full cost thereof, the Agency will make water available to the District to the extent that the Agency itself has water available under its Water Supply Contract, and taking into account the needs of other water users supplied by the Agency. The District shall provide the Agency with prior notice of each requested water delivery, and at the same time shall estimate the quantity of water required and the approximate rate at which it should be delivered, as required by the Agency's rules and regulations, resolutions, ordinances, policies and procedures. All facilities in the metering structure necessary to accommodate such deliveries shall be operated by, Agency employees only. Any delivery of water shall continue until the District requests termination of delivery in the manner required by the Agency's rules and regulations, resolutions, ordinances, policies and procedures, and the District shall pay for all such water so delivered.

5. Payment of Water Charges. All water delivered to the District under this Agreement shall be sold at rates established from time to time by the Agency for the kind of use, quantity of water, and type of user supplied hereunder. The Agency shall read the meter monthly and shall bill the District for all water delivered during the previous calendar month. Statements for such water charges shall be delinquent 30 days after the date of the statement, and delinquent statements shall bear interest at the rate of seven percent per annum. The Agency may also refuse to deliver water to the District so long as any delinquent statements remain unpaid.

6. Water Quality. Under this Agreement, the Agency will deliver water received from the State Water Project and treated by the Agency facilities. The Agency, however, makes no guarantee of the quality or potability of such supply.

7. Limits on Agency Responsibility. The Agency has no responsibility in the maintenance and operation of the District's water system beyond the meter and point of ownership by the Agency. The District shall be responsible and liable for its own water system. The Agency shall not be liable for interruption or shortage or insufficiency of supply, or any loss or damage occasioned thereby. The District agrees to accept and consent to such conditions of pressure and service as may from time to time exist under operating practices then prevailing within the Agency, at the location of the District's connection, and the District agrees to hold the Agency harmless from any and all damages caused by or arising out of low, high, or fluctuating pressures or interruption of service. Delivery of water pursuant to this Agreement, except as may be specifically provided herein, shall be in accordance with the rules and regulations, resolutions, ordinances, policies and procedures of the Agency as they may from time to time exist.

8. Place of Use. The purpose of this Agreement is to augment the District's supply for retail deliveries to District customers located within the Overlap Area. The District shall require all customers within the Overlap Area to install meters to measure the quantity of water delivered to them. By January 30 of each year, the District shall provide to the Agency an accounting of all water, which the District delivered to customers within the Overlap Area during the previous calendar year. The Agency shall maintain a record of all water received from the State Water Project pursuant to the Agency's Water Supply Contract and delivered to the District for use in the Overlap Area, to ensure that the total quantity of such water delivered to the District for such purpose does not exceed the total quantity of water which the District delivers for use in the Overlap Area. Nothing herein shall prevent the Agency from delivering such water to the District to satisfy previous use within the Overlap Area, or from providing advance deliveries to the District for future use within the Overlap Area, if approved by the Agency.

9. Agency Standby Charges. The District understands that upon execution of this Agreement and installation of the metering structure, all real property in the Overlap Area will be subject to payment of Agency standby or availability charges, as required by Agency ordinance or resolution. However, the District may elect to pay such charges on behalf of the real property in the Overlap Area, in the District's discretion.

IN WITNESS WHEREOF, the parties have executed this Agreement.

CRESTLINE-LAKE ARROWHEAD
WATER AGENCY

By: _____

General Manager

ATTEST:

Secretary

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

By: _____

General Manager

ATTEST:

Secretary



LACSD Water Services Within CLAWA

* Bold entries are improved parcels within CLAWA's boundary, which did not appear on LACSD's billing records.

**Please provide histories for each of these accounts (298 total).

***Note that the list includes two improved parcels which are sewer only accounts and two parcels which share one service.

Number	Assessor/Parcel Number	Account No.	Street No.	Service Street	1998 (cf)	1999 (cf)	2000 (cf)	2001 (cf)	2002 (cf)	Avg. Consumption (cf)
1	32905134	10383		NORTH SHORE CAMP GRO	74,300	97,900	69,700	31,800	31,100	60,920
2	33110102	20320	28914	HOOK CREEK RD	8,400	13,800	15,100	9,600	14,200	12,180
3	33110104	20332	28938	HOOK CREEK RD	2,600	700	2,600	300	300	1,300
4	33110104	20333	28942	HOOK CREEK RD	51,800	62,700	49,200	57,800	59,200	56,140
5	33110104	20334	28950	HOOK CREEK RD	1,000	-	-	-	-	200
6	33110104	20335	28946	HOOK CREEK RD	2,300	2,800	3,300	4,200	2,170	2,954
7	33110104	20337	28958	HOOK CREEK RD	3,500	4,100	14,900	10,100	2,800	7,080
8	33110104	20338	28966	HOOK CREEK RD	1,000	1,500	2,100	2,000	1,600	1,640
9	33110104	20339	28970	HOOK CREEK RD	2,200	2,800	4,000	4,800	3,600	3,500
10	33110108	20331	28930	HOOK CREEK RD	2,700	3,000	2,200	900	14,200	4,600
11	33110109	20341	28982	HOOK CREEK RD	7,100	9,100	3,300	3,100	3,100	5,140
12	33110113	20334	28950	HOOK CREEK RD	1,000	-	-	-	-	200
13	33110115	20290	251	N ST HWY 173	15,800	11,300	15,800	14,600	13,600	14,220
14	33110120	20315	28908	HOOK CREEK RD	7,800	7,900	10,800	15,100	15,800	11,498
15	33110201	23874	29003	OAK TERRACE LA	114,300	155,000	142,000	115,900	76,500	120,740
16	33110207	20346	29020	OAK TER	8,250	12,500	16,000	13,700	15,500	13,190
17	33110208	20345	29020	OAK TER	34,900	32,300	38,000	42,900	52,400	40,100
18	33110217	20360	29090	HOOK CREEK RD	77,200	85,800	58,600	77,500	70,500	73,920
19	33110218	20360	29090	HOOK CREEK RD	77,200	85,800	58,600	77,500	70,500	73,920
20	33110224	20356	29058	HOOK CREEK RD	9,100	10,000	8,800	5,700	8,600	8,440
21	33110225	20357	29040	HOOK CREEK RD	6,400	10,600	11,100	11,000	8,500	9,520
22	33110226	20355	29028	HOOK CREEK RD	1,800	700	600	7,700	10,100	4,180
23	33110227	23915	29022	HOOK CREEK RD	-	-	-	-	3,400	1,700
24	33110228	20353	29046	HOOK CREEK RD	1,000	-	-	100	-	220
25	33110229	20352	29016	HOOK CREEK RD	1,300	300	400	200	1,100	660
26	33110230	20350	28998	HOOK CREEK RD	1,400	600	600	600	1,000	840
27	33110231	20351	28994	HOOK CREEK RD	6,800	9,800	9,500	8,400	7,000	8,260
28	33110234	20349	29029	OAK TER	200	7,400	3,200	1,300	1,000	2,620
29	33110237	20306	29010	OAK TERRACE LA/ CEDAR GLEN	38,300	44,800	54,300	28,400	48,500	42,420
30	33110238	20358	29072	HOOK CREEK RD	15,100	12,800	12,000	16,900	14,300	14,020
31	33110301	20383	28905	HOOK CREEK RD	-	-	-	-	-	-
32	33110302	20385	28915	HOOK CREEK RD	2,900	5,100	4,600	5,400	3,100	4,220
33	33110304	20384	28935	HOOK CREEK RD	8,100	17,400	18,500	16,700	14,700	15,080
34	33110313	20386	230	PONDEROSA DR	6,500	11,300	10,000	10,800	9,800	9,680
35	33110315	20426	218	PONDEROSA DR	1,200	200	-	-	-	280
36	33110316	20427	212	PONDEROSA DR	1,700	10,500	3,300	6,400	5,100	5,400
37	33110317	20450	206	PONDEROSA DR	1,100	1,200	24,700	-	-	5,400
38	33110318	20436	200	PONDEROSA DR	1,000	1,800	800	500	34,800	7,780
39	33110320	20433	196	PONDEROSA DR	1,300	2,700	2,800	2,100	1,700	2,080
40	33110322	20431	192	PONDEROSA DR	3,800	5,400	5,200	5,200	6,500	5,220
41	33110324	803902		SEWER ONLY	-	-	-	-	-	-
42	33110325	20430	164	PONDEROSA DR	9,900	15,900	13,100	10,600	10,900	12,080
43	33110401	20453	201	PONDEROSA DR	13,100	14,700	14,900	11,400	20,000	14,820
44	33110402	20419	209	PONDEROSA DR	2,800	4,200	3,200	2,200	100	2,500
45	33110405	20422	225	PONDEROSA DR	6,000	8,800	10,000	7,200	5,900	7,580
46	33110406	20422	225	PONDEROSA DR	6,000	8,800	10,000	7,200	5,900	7,580
47	33110410	20406	192	PINE TER	4,300	4,900	7,200	5,800	2,900	5,020
48	33110411	20405	176	PINE TER	3,900	2,300	1,500	1,400	3,500	2,520
49	33110412	20423	28968	CEDAR TER	14,500	1,100	10,700	8,800	12,500	9,120
50	33110413	20425	28984	CEDAR TER	12,200	22,200	20,700	14,600	10,100	15,960
51	33110414	20424	28980	CEDAR TER	1,200	700	800	600	500	760
52	33110417	20420	28968	CEDAR TER	10,100	11,800	12,700	12,800	10,000	11,480
53	33110419	20418	182	FIR TER	1,500	300	500	400	600	660
54	33110420	20417	176	FIR TER	5,300	7,800	8,000	7,500	5,700	6,860
55	33110421	20416	170	FIR TER	2,000	1,400	1,330	1,500	2,300	1,706
56	33110422	20421	217	PONDEROSA DR	3,400	5,300	5,700	6,600	5,700	5,340
57	33110501	20400	29068	CEDAR TER	1,300	400	900	2,700	6,400	2,340
58	33110502	20401	29062	CEDAR TER	1,200	500	800	1,600	3,400	1,500
59	33110509	20388	29007	HOOK CREEK RD	300	300	1,200	500	1,000	660
60	33110510	20389	29019	HOOK CREEK RD	9,900	1,100	1,300	1,200	2,500	3,200
61	33110511	20390	29031	HOOK CREEK RD	1,500	800	400	900	600	800
62	33110512	20391	29045	HOOK CREEK RD	7,900	10,300	7,300	5,500	4,100	7,020
63	33110513	20392	29053	HOOK CREEK RD	6,000	9,400	11,800	11,400	9,100	9,540
64	33110514	20393	29059	HOOK CREEK RD	1,000	-	900	1,700	2,800	1,280
65	33110515	20394	29084	CEDAR TER	3,200	4,400	3,200	1,600	5,800	3,640
66	33110515	20395	29065	HOOK CREEK RD	12,800	10,100	9,900	6,100	22,400	12,220
67	33110516	20399	29098	CEDAR TER	6,600	12,200	16,000	12,200	9,000	11,200
68	33110530	20402	29032	CEDAR TER	1,800	4,200	6,900	7,500	1,200	4,320
69	33110531	20398	29109	HOOK CREEK RD	2,400	2,800	2,200	500	400	1,620
70	33110533	20397	29083	HOOK CREEK RD	1,300	400	400	1,000	400	700
71	33110534	20396	29077	HOOK CREEK RD	1,100	600	500	300	800	660

Number	Assessor's Parcel Number	Account No.	Street No.	Service Street	1998 (cf)	1999 (cf)	2000 (cf)	2001 (cf)	2002 (cf)	Avg. Consumption (cf)
72	33110539	20404	29016	CEDAR TER	6,500	2,500	2,500	3,600	1,200	3,260
73	33111105	20369	28993	CEDAR TER	4,600	7,100	5,000	8,300	3,300	5,660
74	33111106	20368	28999	CEDAR TER	1,300	100	200	300	-	380
75	33111107	23876	29007	CEDAR TER	9,200	8,600	5,000	7,500	11,100	8,280
76	33111108	20367	29019	CEDAR TER	-	7,600	16,600	16,800	1,100	8,420
77	33111109	20366	29035	CEDAR TER	4,000	4,600	7,300	7,200	5,200	5,660
78	33111110	23903	29045	CEDAR TER	-	1,100	1,200	1,100	1,600	1,000
79	33111111	20365	29053	CEDAR TER	3,800	2,420	2,400	1,700	600	2,184
80	33111112	20364	29059	CEDAR TER	1,700	200	100	300	100	480
81	33111113	23878	29065	CEDAR TER	14,700	8,900	4,400	15,500	12,800	11,260
82	33111114	20381	29081	CEDAR TER	10,800	15,400	11,100	14,000	10,400	12,340
83	33111115	23875	29083	CEDAR TER	4,200	10,400	15,000	300	9,100	7,800
84	33111116	20380	198	WESTERN DR	5,500	1,700	1,100	1,500	500	2,060
85	33111117	20362	29069	CEDAR TER	14,900	17,000	16,000	19,300	22,200	17,880
86	33111118	20363	29067	CEDAR TER	1,100	300	200	16,800	800	3,800
87	33111120	20379	144	WESTERN DR	5,300	6,600	5,500	7,200	5,500	6,020
88	33111122	20377	29076	ALDER TER	8,400	10,800	1,300	600	900	4,400
89	33111124	20376	29046	ALDER TER	1,100	300	200	200	100	360
90	33111125	20374	29036	ALDER TER	4,200	6,100	5,820	6,500	5,400	5,804
91	33111127	23905	29020	ALDER TER	-	6,300	14,800	13,600	17,000	12,925
92	33111128	23877	29008	ALDER TER	7,500	9,700	10,800	13,400	6,900	9,660
93	33111129	20373	28996	ALDER TER	600	4,900	1,300	6,800	3,800	3,480
94	33111131	20372	28976	ALDER TER	1,400	200	100	1,200	100	600
95	33111134	20371	28963	CEDAR TER	2,200	3,000	3,300	10,800	22,300	8,320
96	33111136	20375	29054	ALDER TER	4,100	5,200	5,000	4,600	3,800	4,540
97	33111137	20370	28975	CEDAR TER	7,800	11,600	5,300	7,000	9,500	8,240
98	33111202	20429	148	FIR TER	1,700	2,800	2,700	2,200	800	2,040
99	33111203	23879	138	FIR TER	3,600	4,700	5,600	6,200	6,600	5,340
100	33111204	20428	130	FIR TER	12,600	15,400	9,900	-	100	7,600
101	33111208	20408	28944	CEDAR TER	1,900	900	600	1,200	9,500	2,620
102	33111210	20432	135	FIR TER	1,100	100	200	300	100	360
103	33111211	20459	28952	CEDAR TER	1,100	300	100	100	300	380
104	33111305	20403	28975	ALDER TER	6,620	10,100	16,200	13,000	9,700	11,524
105	33111306	20438	28985	ALDER TER	7,800	10,300	9,200	8,600	7,900	8,760
106	33111307	20412	28993	ALDER TER	1,800	2,200	700	600	400	1,140
107	33111309	20411	29015	ALDER TER	1,200	3,000	400	400	500	1,100
108	33111310	20409	29029	ALDER TER	300	7,600	100	1,900	800	2,140
109	33111311	20410	29037	ALDER TER	9,400	16,000	11,200	12,300	11,100	12,000
110	33111313	20413	29055	ALDER TER	2,000	1,300	800	1,000	700	1,160
111	33111315	23888	29079	ALDER TER	6,900	12,700	12,100	12,600	5,800	10,020
112	33111316	20414	29087	ALDER TER	1,200	200	1,200	400	500	700
113	33111317	20415	29097	ALDER TER	7,500	10,800	10,100	10,700	7,900	9,400
114	33111319	800019		SEWER ONLY						
115	33111320	20407	28945	CEDAR TER	2,500	2,700	1,600	1,500	4,900	2,640
116	33429101	131199	110	ST ANDREWS	6,400	5,200	4,700	5,800	5,800	5,580
117	33429102	131198	122	ST ANDREWS	1,000	1,000	1,900	1,000	1,100	1,200
118	33429103	131197	134	ST ANDREWS	1,400	1,200	400	2,000	4,000	1,800
119	33429104	131196	148	ST ANDREWS	2,900	6,000	16,000	18,800	20,800	12,900
120	33429105	132583	162	ST ANDREWS	11,000	11,500	9,900	11,700	11,800	11,180
121	33429106	132176	26406	SPYGLASS DR	4,800	4,800	5,000	5,800	3,800	4,840
122	33429108	132612	26370	SPYGLASS DR	38,400	24,500	26,000	23,000	23,500	27,080
123	33429109	132046	26364	SPYGLASS DR	8,500	4,000	1,300	9,200	12,400	7,080
124	33429110	132048	26360	SPYGLASS DR	2,400	4,700	1,800	4,000	3,300	3,240
125	33429111	132045	26356	SPYGLASS DR	2,500	1,900	1,900	1,100	800	1,640
126	33429112	132049	26354	SPYGLASS DR	2,100	2,500	1,000	1,200	3,000	1,980
127	33429113	132180	26352	SPYGLASS DR	10,400	9,900	8,500	5,100	18,500	10,480
128	33429114	132588	26350	SPYGLASS DR	8,900	14,300	19,400	12,900	22,900	15,680
129	33429201	131156	104	FAIRWAY DR	23,000	35,200	36,500	38,700	47,300	36,140
130	33429203	131154	26696	THUNDERBIRD DR	5,000	8,400	3,900	6,100	35,700	11,820
131	33429204	131153	26692	THUNDERBIRD DR	20,600	35,800	35,000	45,000	17,400	30,760
132	33429205	131152	26690	THUNDERBIRD DR	4,500	5,500	6,300	6,800	9,700	6,980
133	33429206	132586	26688	THUNDERBIRD DR	2,300	3,200	1,800	1,500	2,000	2,120
134	33429208	131149	26684	THUNDERBIRD DR	2,600	3,800	1,500	1,800	3,300	2,600
135	33429209	132630	26492	SPYGLASS DR	200	2,500	7,500	10,500	7,100	5,560
136	33429211	131174	26468	SPYGLASS DR	2,800	3,600	1,800	2,000	3,000	2,640
137	33429212	132219	26452	SPYGLASS DR	14,900	16,200	9,500	11,700	10,800	12,620
138	33429213	131172	26438	SPYGLASS DR	10,600	12,600	14,700	11,200	12,000	12,220
139	33429214	131171	181	ST ANDREWS	4,900	1,100	400	1,100	10,200	3,540
140	33429215	131170	163	ST ANDREWS	-	5,500	1,900	3,600	1,900	3,225
141	33429216	131169	151	ST ANDREWS	2,200	2,200	2,600	3,000	500	2,100
142	33429217	131168	141	ST ANDREWS	1,000	1,000	-	-	-	400
143	33429218	131167	129	ST ANDREWS	11,600	9,300	5,500	5,500	24,500	11,280
144	33429220	131160	111	ST ANDREWS	20,900	21,700	14,300	20,700	32,600	22,040
145	33429301	132631	26685	THUNDERBIRD DR	-	3,200	2,700	2,900	3,700	3,125
146	33429302	130982	26691	THUNDERBIRD DR	18,230	5,000	3,400	4,100	3,000	6,746
147	33429303	132572	26695	THUNDERBIRD DR	6,000	6,500	10,600	13,600	22,700	11,880
148	33429304	132241	26697	THUNDERBIRD DR	6,300	7,200	6,300	6,600	5,000	6,280
149	33429305	130979	110	FAIRWAY DR	11,700	15,000	8,700	10,200	9,200	10,960
150	33429306	132216	112	FAIRWAY DR	7,500	7,400	5,500	7,100	6,900	6,880
151	33429402	132566	26345	SPYGLASS DR	16,100	13,200	2,300	3,000	6,080	8,136
152	33429412	132172	26395	SPYGLASS DR	3,800	4,200	3,200	2,600	2,100	3,140
153	33429414	132621	26350	WALNUT HILLS DR	30,300	31,000	45,600	38,600	21,500	33,380
154	33429415	132097	26336	WALNUT HILLS DR	1,500	1,600	1,200	1,200	1,000	1,300

Number	Assessor's Parcel Number	Account No.	Street No.	Service/Street	1998 (cf)	1999 (cf)	2000 (cf)	2001 (cf)	2002 (cf)	Avg. Consumption (cf)
155	33429416	132242	26330	WALNUT HILLS DR	7,100	8,720	7,300	8,100	10,000	8,244
156	33429417	132213	26326	WALNUT HILLS DR	5,800	12,500	10,800	6,000	7,600	8,500
157	33429423	132644	26312	WALNUT HILLS DR			200	8,000	8,800	5,667
158	33429425	132108	26316	WALNUT HILLS DR	3,900	3,700	3,800	4,100	3,200	3,740
159	33429426	132645	26320	WALNUT HILLS DR			1,100	4,500	5,300	3,633
160	33429502	132094	26325	WALNUT HILLS DR	20,300	16,800	12,400	14,600	8,640	14,548
161	33429503	132089	26329	WALNUT HILLS DR	2,000	2,700	1,800	1,600	1,200	1,860
162	33429504	132168	26333	WALNUT HILLS DR	30,000	32,500	25,900	26,200	30,200	28,960
163	33429505	132238	26335	WALNUT HILLS DR	19,500	19,500	17,200	16,900	18,400	18,300
164	33431102	132641	220	SPYGLASS CT			900	11,100	11,800	7,933
165	33431105	132156	236	SPYGLASS CT	9,300	9,200	7,300	9,600	9,200	8,920
166	33431107	132067	231	SPYGLASS CT	1,700	4,200	5,600	6,500	8,000	5,200
167	33431110	131187	26483	SPYGLASS DR	1,500	2,700	-	100	100	880
168	33431111	132050	26490	AUGUSTA DR	13,500	14,000	9,700	10,100	12,500	11,960
169	33431113	132052	26470	AUGUSTA DR	2,200	5,800	1,500	1,300	2,000	2,560
170	33431114	132053	26460	AUGUSTA DR	10,000	12,900	300	-	3,800	5,400
171	33431115	132054	26450	AUGUSTA DR	1,600	2,500	800	600	1,100	1,320
172	33431117	132629	26430	AUGUSTA DR	1,900	6,930	7,500	8,400	6,000	6,546
173	33431118	132114	26420	AUGUSTA DR	23,500	22,800	20,200	23,000	23,000	22,500
174	33431119	132130	26410	WALNUT HILLS DR	1,900	2,500	700	1,700	1,200	1,800
175	33431121	132627	26396	WALNUT HILLS DR	1,500	7,200	7,400	7,500	7,700	6,260
176	33431122	132628	26390	WALNUT HILLS DR	900	7,800	6,900	11,500	13,400	8,100
177	33431123	132121	26388	WALNUT HILLS DR	5,000	5,000	3,900	6,600	6,700	5,440
178	33431124	132178	26386	WALNUT HILLS DR	10,300	17,800	28,600	15,300	15,900	17,580
179	33431125	132561	26380	WALNUT HILLS DR	8,900	8,900	7,000	7,100	5,700	7,520
180	33431126	132093	26376	WALNUT HILLS DR	1,500	3,200	1,100	800	1,100	1,540
181	33431204	132160	26450	WALNUT HILLS DR	30,700	25,400	23,200	9,900	12,800	20,400
182	33431206	132076	26435	AUGUSTA DR	7,700	9,700	7,600	7,900	13,400	9,260
183	33431208	132223	26475	AUGUSTA DR	17,400	22,100	17,200	18,800	17,300	18,760
184	33431209	132079	26495	AUGUSTA DR	16,000	17,500	18,700	13,900	14,200	16,080
185	33431210	132183	26505	AUGUSTA DR	9,000	9,300	10,200	10,160	14,900	10,712
186	33431301	132236	26349	WALNUT HILLS DR	9,400	12,300	10,900	12,700	14,900	12,040
187	33431302	132212	276	AUGUSTA CT	2,200	2,800	700	1,200	600	1,500
188	33431303	132591	274	AUGUSTA CT	2,900	3,800	4,300	3,400	800	3,040
189	33431304	132555	26365	WALNUT HILLS DR	9,700	8,900	8,400	8,100	8,600	8,740
190	33431305	132152	26369	WALNUT HILLS DR	1,200	3,100	2,600	2,800	4,400	2,820
191	33431307	132078	26379	WALNUT HILLS DR	5,200	4,300	6,600	1,400	1,600	4,220
192	33431309	132564	26389	WALNUT HILLS DR	7,400	8,900	7,100	3,900	2,700	6,000
193	33431310	132575	26393	WALNUT HILLS DR	12,500	14,300	14,100	17,000	15,100	14,800
194	33431311	132616	26395	WALNUT HILLS DR	10,800	10,000	8,600	13,700	15,400	11,700
195	33431312	132085	26497	WALNUT HILLS DR	-	5,500	8,000	11,600	12,100	7,440
196	33431313	132185	26400	AUGUSTA DR	13,700	22,700	18,400	10,000	9,300	14,820
197	33431315	132185	SAME SERVICE FOR BOTH PARCELS							
198	33431316	132201	26390	AUGUSTA DR	17,300	15,000	9,700	10,000	7,800	11,960
199	33431319	132066	26340	AUGUSTA DR	3,600	5,300	13,500	15,600	15,900	10,780
200	33431320	132137	26330	AUGUSTA DR	50,400	52,200	38,400	36,600	35,500	42,620
201	33431321	132169	265	AUGUSTA CT	15,200	16,400	17,900	22,600	23,900	19,200
202	33431322	132157	255	AUGUSTA CT	9,400	3,400	4,500	4,300	6,040	5,528
203	33431325	132615	270	AUGUSTA CT	10,700	15,500	19,900	18,300	15,900	16,060
204	33431326	132665	0	AUGUSTA DR						
205	33431327	132199	26300	AUGUSTA DR	18,400	22,100	18,800	20,300	21,300	20,180
206	33431401	132080	26305	AUGUSTA DR	17,500	14,200	14,600	15,900	19,500	16,340
207	33431402	131133	26315	AUGUSTA DR	8,900	5,500	3,900	4,300	4,600	5,440
208	33431404	132065	26335	AUGUSTA DR	5,200	8,600	6,800	5,200	4,000	5,920
209	33434102	132599	26478	THUNDERBIRD DR	3,900	3,400	7,900	11,800	600	5,520
210	33434103	131108	26468	THUNDERBIRD DR	6,800	6,300	7,900	8,500	7,900	7,480
211	33434104	132606	26448	THUNDERBIRD DR	6,700	7,600	3,300	1,000	900	3,900
212	33434105	131106	26438	THUNDERBIRD DR	3,600	2,800	7,000	8,300	7,600	5,860
213	33434106	131103	26432	THUNDERBIRD DR	6,600	13,900	6,600	9,800	8,700	9,120
214	33434107	132642	26428	THUNDERBIRD DR			300	2,700	4,400	2,467
215	33434108	131101	26416	THUNDERBIRD DR	3,100	4,800	5,700	7,100	7,600	5,860
216	33434109	131100	26410	THUNDERBIRD DR	4,400	8,200	22,100	26,800	28,900	18,080
217	33434110	132087	26400	THUNDERBIRD DR	5,200	2,900	29,300	11,000	13,800	12,440
218	33434112	132065	26378	THUNDERBIRD DR	5,200	8,600	6,600	5,200	4,000	5,920
219	33434113	131096	26364	THUNDERBIRD DR	1,600	2,300	1,800	1,900	3,300	2,180
220	33434114	131095	26350	THUNDERBIRD DR	10,800	2,200	1,700	5,400	1,900	4,400
221	33434116	132603	26334	THUNDERBIRD DR	13,300	14,600	13,500	18,100	14,000	14,700
222	33434117	132626	26326	THUNDERBIRD DR	1,300	1,100	14,000	700	600	3,540
223	33434119	132596	26316	THUNDERBIRD DR	12,900	10,700	9,400	11,300	12,800	11,420
224	33434121	132209	26345	AUGUSTA DR	17,000	15,700	15,400	6,600	11,800	13,300
225	33434122	132063	26355	AUGUSTA DR	9,500	10,000	2,200	4,400	7,300	6,680
226	33434123	132083	26375	AUGUSTA DR	2,300	3,400	1,200	2,400	2,300	2,320
227	33434124	132222	26385	AUGUSTA DR	29,800	26,300	24,000	25,700	25,800	26,320
228	33434125	132082	26395	AUGUSTA DR	14,900	13,800	12,300	17,800	18,200	15,400
229	33434126	132220	26405	AUGUSTA DR	7,600	7,200	5,300	27,500	16,300	12,780
230	33434127	132654	26415	AUGUSTA DR				-	18,100	9,050
231	33434129	132181	26445	WALNUT HILLS DR	6,700	8,300	13,100	8,000	6,400	8,500
232	33434130	132060	26455	WALNUT HILLS DR	1,300	1,800	4,000	2,000	7,400	3,300
233	33434131	132110	26465	WALNUT HILLS DR	4,400	6,700	5,500	6,000	9,300	6,380
234	33434133	132075	26483	WALNUT HILLS DR	3,000	2,700	2,200	1,700	1,200	2,160
235	33434134	132584	26485	WALNUT HILLS DR	7,200	7,400	6,400	6,100	6,000	6,620
236	33434135	132077	26495	WALNUT HILLS DR	5,700	3,400	2,400	9,500	10,000	6,200
237	33434202	132570	432	CLUBHOUSE DR	1,100	1,200	300	200	700	700

Number	Assessor's Parcel Number	Account No.	Street No.	Service Street	1998 (cf)	1999 (cf)	2000 (cf)	2001 (cf)	2002 (cf)	Avg. Consumption (cf)
238	33434203	131059	434	CLUBHOUSE DR	19,500	16,300	12,400	10,800	2,100	12,180
239	33434204	131056	436	CLUBHOUSE DR	1,000	1,000	6,300	9,100	5,040	4,488
240	33434206	131054	440	CLUBHOUSE DR	3,900	4,000	3,200	3,300	1,200	3,120
241	33434207	131053	442	CLUBHOUSE DR	3,800	13,500	3,800	2,400	1,200	4,940
242	33434211	131036	26301	THUNDERBIRD DR	7,300	8,400	3,500	2,800	10,600	6,480
243	33434215	132585	26347	THUNDERBIRD DR	10,600	9,800	6,700	9,700	12,700	10,300
244	33434219	131024	26397	THUNDERBIRD DR	7,500	12,700	14,500	15,300	15,900	13,180
245	33434222	131021	26433	THUNDERBIRD DR	6,800	3,300	3,200	3,400	800	3,500
246	33434223	132171	26439	THUNDERBIRD DR	1,800	2,800	3,100	1,700	600	1,960
247	33434224	131019	26445	THUNDERBIRD DR	8,300	8,200	3,800	7,500	6,200	6,800
248	33434225	131018	26457	THUNDERBIRD DR	10,300	8,000	4,200	16,700	13,800	10,600
249	33434227	131016	26483	THUNDERBIRD DR	-	-	5,300	13,900	15,500	6,940
250	33434301	132070	26490	WALNUT HILLS DR	3,000	3,000	900	6,700	1,500	3,020
251	33434303	132072	26470	WALNUT HILLS DR	1,700	2,100	700	500	300	1,060
252	33434304	132103	26460	WALNUT HILLS DR	1,800	2,900	900	1,200	400	1,440
253	33435105	132247	26278	THUNDERBIRD DR	1,100	1,100	3,800	11,200	11,100	5,660
254	33435108	131077	26270	THUNDERBIRD DR	2,600	3,100	2,000	2,500	1,400	2,320
255	33435112	132589	26256	THUNDERBIRD DR	4,100	5,700	3,000	2,300	900	3,200
256	33435113	131072	26250	THUNDERBIRD DR	1,600	2,500	2,100	6,600	3,300	3,220
257	33435115	132604	26266	SKYRIDGE DR	13,400	15,800	12,800	9,700	9,800	12,300
258	33435116	132186	26226	CIRCLE DR	8,800	10,200	9,700	9,800	9,800	9,680
259	33435118	132099	26220	CIRCLE DR	6,800	8,300	6,300	5,200	10,600	7,440
260	33435119	132106	26210	CIRCLE DR	7,200	3,700	3,900	3,500	12,700	6,200
261	33435120	132569	26200	CIRCLE DR	24,500	51,600	500	10,200	14,600	20,280
262	33435121	132128	395	AUBURN DR	7,000	5,900	6,100	2,800	9,500	6,260
263	33435124	132038	335	AUBURN DR	2,900	2,700	2,300	1,700	1,100	2,140
264	33435125	132251	325	AUBURN DR	3,800	22,800	9,900	10,400	8,200	11,020
265	33435126	132098	313	AUBURN DR	6,400	6,200	5,700	7,100	6,700	6,420
266	33435127	132096	305	AUBURN DR	21,000	18,300	14,200	17,000	21,900	18,480
267	33435201	131049	26302	SKYRIDGE DR	2,100	3,100	1,500	1,400	2,500	2,120
268	33435203	131043	26237	THUNDERBIRD DR	6,700	9,000	3,900	6,100	8,700	6,880
269	33435204	131042	26241	THUNDERBIRD DR	16,800	19,500	14,000	15,300	20,300	17,180
270	33435205	131041	26245	THUNDERBIRD DR	13,900	14,100	12,700	13,700	12,600	13,400
271	33435206	131040	26255	THUNDERBIRD DR	7,200	11,900	12,100	10,100	8,800	10,020
272	33435207	131039	26275	THUNDERBIRD DR	1,800	2,500	500	900	800	1,300
273	33435209	131037	26297	THUNDERBIRD DR	6,500	4,500	7,600	6,000	5,000	5,920
274	33435302	132126	340	AUBURN DR	3,300	5,800	2,900	5,700	6,800	4,900
275	33435303	132125	350	AUBURN DR	13,200	18,000	18,200	21,500	23,500	18,480
276	33435307	132565	26166	CIRCLE DR	10,900	11,800	11,100	10,800	9,900	10,900
277	33435308	132101	26146	CIRCLE DR	21,100	17,600	16,400	18,800	21,000	18,980
278	33435315	132100	379	CEDARBROOK DR	3,300	3,900	2,600	3,200	9,600	4,520
279	33441101	132061	26290	AUGUSTA DR	18,800	23,500	19,700	5,900	5,800	14,740
280	33441103	132127	26270	AUGUSTA DR	1,400	2,400	-	100	100	800
281	33441104	132056	26260	AUGUSTA DR	4,800	5,700	4,500	7,200	900	4,620
282	33441105	132051	26250	AUGUSTA DR	3,400	5,300	3,500	2,800	1,900	3,380
283	33441106	132122	26240	AUGUSTA DR	6,300	5,700	5,400	7,000	6,100	6,100
284	33441107	132042	26230	AUGUSTA DR	1,700	1,400	8,300	900	700	2,600
285	33441108	132055	26200	AUGUSTA DR	13,700	15,200	10,800	8,400	20,500	13,720
286	33441201	132047	26225	AUGUSTA DR	6,100	5,400	400	1,100	7,800	4,120
287	33441202	132117	26235	AUGUSTA DR	3,600	3,100	2,300	2,200	1,800	2,560
288	33441203	132041	260	AUBURN DR	12,700	13,300	11,700	16,700	19,600	14,800
289	33441204	132120	270	AUBURN DR	2,000	2,700	1,000	900	1,000	1,520
290	33441206	132581	290	AUBURN DR	3,100	11,100	13,300	14,700	14,900	11,420
291	33441208	132600	310	AUBURN DR	9,800	14,500	14,300	16,700	16,600	14,380
292	33441301	132638	295	AUBURN DR	-	1,600	26,900	21,400	17,300	16,800
293	33441302	132614	285	AUBURN DR	5,000	7,600	11,200	11,400	27,800	12,600
294	33441303	132617	265	AUBURN DR	15,200	21,200	17,400	20,100	19,700	18,720
295	33441304	132092	255	AUBURN DR	10,700	14,000	9,700	12,300	12,200	11,780
296	33441305	132095	26245	AUGUSTA DR	4,000	3,200	2,300	1,600	1,600	2,540
297	33441306	132652	26255	AUGUSTA DR	-	-	-	3,400	-	1,700
298	33441307	132084	26265	AUGUSTA DR	18,100	20,700	13,750	18,500	11,500	16,510
299	33441309	132161	26285	AUGUSTA DR	1,700	2,500	1,200	1,400	400	1,440
300	33441310	132154	26295	AUGUSTA DR	6,700	7,500	6,600	8,200	9,400	7,680
301	33514106	40334	465	S ST HWY 173	58,900	58,600	71,600	84,600	66,100	67,960
Total Cubic Feet per Year					2,484,590	2,901,570	2,670,600	2,720,360	2,846,670	2,724,758
Total Acre-Feet per Year					57.04	66.61	61.31	62.45	65.35	62.55

Number	Assessor Parcel Number	Account No.	Street No.	Service Street	1998 (cf)	1999 (cf)	2000 (cf)	2001 (cf)	2002 (cf)	Avg. Consumption (cf)
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Vacant Parcels

Number	Assessor Parcel Number
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1 33110103
2 33110119
3 33110202
4 33110206
5 33110212
6 33110213
7 33110215
8 33110216
9 33110219
10 33110220
11 33110221
12 33110235
13 33110236
14 33110303
15 33110309
16 33110310
17 33110311
18 33110314
19 33110319
20 33110321
21 33110326
22 33110327
23 33110407
24 33110408
25 33110409
26 33110415
27 33110416
28 33110418
29 33110507
30 33110508
31 33110540
32 33111101
33 33111119
34 33111121
35 33111126
36 33111130
37 33111132
38 33111133
39 33111135
40 33111205
41 33111206
42 33111207
43 33111209
44 33111212
45 33111213
46 33111214
47 33111216
48 33111308
49 33111312
50 33111314
51 33111318
52 33429107
53 33429202
54 33429207
55 33429210
56 33429219
57 33429401
58 33429403
59 33429404
60 33429405
61 33429406
62 33429407
63 33429408
64 33429409
65 33429410
66 33429411
67 33429413
68 33429501
69 33429506
70 33431101
71 33431103
72 33431104
73 33431106
74 33431108
75 33431109
76 33431112
77 33431116
78 33431120
79 33431127
80 33431128

#2.37

Number	Assessor's Parcel Number	Account No.	Street No.	Service Street	1998 (cf)	1999 (cf)	2000 (cf)	2001 (cf)	2002 (cf)	Avg. Consumption (cf)
81	33431205									
82	33431207									
83	33431306									
84	33431308									
85	33431314									
86	33431317									
87	33431318									
88	33431323									
89	33431324									
90	33431403									
91	33434101									
92	33434111									
93	33434115									
94	33434118									
95	33434120									
96	33434128									
97	33434132									
98	33434201									
99	33434205									
100	33434208									
101	33434209									
102	33434210									
103	33434212									
104	33434213									
105	33434214									
106	33434216									
107	33434217									
108	33434218									
109	33434220									
110	33434221									
111	33434226									
112	33434228									
113	33434302									
114	33435101									
115	33435102									
116	33435103									
117	33435104									
118	33435106									
119	33435107									
120	33435109									
121	33435110									
122	33435111									
123	33435114									
124	33435117									
125	33435122									
126	33435123									
127	33435202									
128	33435208									
129	33435301									
130	33435304									
131	33435305									
132	33435306									
133	33441102									
134	33441109									
135	33441205									
136	33441207									
137	33441308									
138										
139										

CLAWA II Agreement

AGREEMENT FOR THE SALE, TREATMENT AND DELIVERY OF WATER

This Agreement is made this 7th day of July, 2005, by and between the Lake Arrowhead Community Services District ("LACSD") and the Crestline-Lake Arrowhead Water Agency ("CLAWA").

RECITALS

A. LACSD is an independent special district of the State of California located in the San Bernardino Mountains. LACSD provides retail water service to customers located within its boundaries.

B. Lake Arrowhead is located within the boundaries of LACSD and serves as a primary source of the water which LACSD supplies to its customers. During the recent drought and also during previous periods of drought, the surface level of Lake Arrowhead dropped significantly, which has prompted the LACSD to investigate alternative water supplies and thus reduce its reliance on Lake Arrowhead to satisfy consumptive demands within its service area.

C. CLAWA is one of twenty-nine (29) water purveyors in the State of California ("State Water Contractors") which have entered into contracts with California's Department of Water Resources ("DWR") to obtain imported water from the State Water Project ("SWP"). The quantity of SWP water allocated to CLAWA each year is calculated by DWR in accordance with the terms of CLAWA's contract with DWR. CLAWA takes delivery of its SWP water at Silverwood Lake, a water storage reservoir on the East Branch of the SWP which is owned and operated by DWR. CLAWA then treats that water at CLAWA's water treatment plant located near the southerly shore of Silverwood Lake and pumps the treated water uphill for delivery and distribution to CLAWA's wholesale and retail customers located within CLAWA's service area.

D. San Bernardino Valley Municipal Water District ("SBVMWD") is also a State Water Contractor which receives imported water from the SWP. SBVMWD takes delivery of its SWP water in the San Bernardino Valley, after it flows out of Silverwood Lake and through the Devil Canyon hydropower plant, which is another facility on the East Branch of the SWP owned and operated by DWR. SBVMWD is billed by DWR for the water it receives, as set forth in SBVMWD's contract with DWR, but receives credit for the value of the power generated by the water which flows through the Devil Canyon hydropower plant for delivery to SBVMWD.

E. CLAWA has negotiated an agreement with SBVMWD (the "SBVMWD Agreement") for the purchase of 8,000 acre-feet of imported SWP water from SBVMWD's 2005 allocation from DWR, for the benefit of LACSD. A copy of the SBVMWD Agreement is attached hereto as Exhibit "A." Upon execution of this Agreement and the SBVMWD Agreement, and pursuant to the terms of the SBVMWD Agreement, CLAWA will purchase the water from SBVMWD in 2005 and allow the purchased water to be delivered to SBVMWD in exchange for the right to subsequently take a total of 7,600 acre-feet of water ("Exchange Water") from DWR's annual allocation of SWP water to SBVMWD over a period of ten or more years. The Exchange Water taken by CLAWA will be treated for domestic consumption and delivered to LACSD as an alternative source of supply to address consumptive demands within LACSD's service area. CLAWA's treatment and delivery of this Exchange Water to LACSD will allow LACSD to reduce the quantity of water taken from Lake Arrowhead during the term of this Agreement to satisfy the consumptive demands of LACSD's customers.

F. The purpose of this Agreement is to provide for CLAWA's treatment, delivery and sale of Exchange Water to LACSD according to the terms hereinafter set forth. Nothing herein shall affect LACSD's right to continue receiving water service from CLAWA for property located within the boundaries of both LACSD and CLAWA (the "Overlap Area"), in accordance with the Agency's rules and regulations applicable to water service within the Agency's boundaries.

TERMS AND CONDITIONS

1. Term. This Agreement shall be effective upon execution of this Agreement by all of the parties hereto, and upon execution of the SBVMWD Agreement by all of the parties thereto. This Agreement shall remain in effect until expiration of the SBVMWD Agreement, and until all other obligations set forth in this Agreement (including payment and adjustment obligations) have been satisfied. All such obligations are expected to be satisfied by December 31, 2020, or by the extension of such date as necessary or appropriate to deliver to LACSD all of the water contemplated in this Agreement, following any necessary environmental review of such term extension.

2. Definitions. The following terms shall have the following meanings as used herein:

- (a) “Exchange Water” means water which CLAWA takes from the annual allocation of SWP Water to SBVMWD pursuant to the SBVMWD Agreement for the benefit of LACSD.
- (b) “Replacement Water” means water which CLAWA takes from its own allocation of SWP Water for treatment, storage and delivery to LACSD to replace Exchange Water which CLAWA previously took from SBVMWD pursuant to the SBVMWD Agreement and used within CLAWA’s own service area.
- (c) “Water Delivery Facilities” means the LACSD-ROW Turnout hereinafter described in Paragraph No. 3, the backflow prevention assembly to be installed immediately downstream therefrom, appurtenant piping and fittings, and approximately 5,375 lineal feet of 12-inch diameter pipeline from the turnout to LACSD’s existing retail water system, as needed for CLAWA to deliver Exchange Water and/or Replacement Water to LACSD. The Water Delivery Facilities do not include the one million gallon reservoir which

LACSD also intends to construct on an unpaved 0.25 acre site, which is located north east of Crest Fern Drive.

3. Construction of LACSD-ROW Turnout. Within sixty (60) days after the effective date of this Agreement or within sixty (60) days after conclusion of legal proceedings challenging this Agreement, if filed, LACSD will deposit with CLAWA the sum of \$140,000 to pay for CLAWA's cost of designing and constructing a 1,500 gallon-per-minute wholesale water service turnout including meter, valve, and piping within an underground vault on a CLAWA-approved site in the Burnt Mill area, to be acquired by LACSD and conveyed to CLAWA at no charge to CLAWA (the "LACSD-ROW Turnout"). The deposit will be applied to CLAWA's actual expenses incurred in designing and constructing the turnout, including 15% of those actual costs to cover CLAWA's overhead and expense in administering the construction contract. If the amount of the deposit is insufficient to cover such costs, CLAWA will invoice LACSD for the difference, and LACSD agrees to pay the invoice within 45 days after receipt. If the amount of the deposit exceeds such costs, CLAWA will refund the difference to LACSD within 45 days after completion of construction. The LACSD-ROW Turnout will be owned, operated and maintained by CLAWA. All facilities constructed by LACSD on the outlet side of the turnout to accept the delivery of water through the turnout will be designed, constructed, owned, operated and maintained by LACSD, including an approved backflow prevention assembly on the site.

4. Construction of Water Delivery Facilities. Upon the effective date of this Agreement or upon the conclusion of legal proceedings challenging this Agreement, if filed, LACSD will provide for the design and construction of the Water Delivery Facilities, except for the LACSD-ROW Turnout which shall be designed and constructed by CLAWA. All such facilities on the discharge side of the LACSD-ROW Turnout shall be designed, constructed, owned, operated and maintained by LACSD as part of its retail water system. The piping from the LACSD-ROW Turnout to LACSD's retail system shall have sufficient capacity to accommodate a flow of at least 1,500 gallons per minute through the turnout. Construction of the Water Delivery Facilities shall be scheduled for completion within 12 months after the

effective date of this Agreement or within 12 months after the conclusion of legal proceedings challenging this Agreement, if filed; provided, however, that this 12 month period for completion is conditioned upon construction activities being performed in accordance with the requirements of the County of San Bernardino, including, but not limited to, the requirement that improvements located in the County of San Bernardino's roadway right-of-ways can generally only be completed during the period of April 15 through October 15 of each year.

5. Minimum Purchase Requirement. LACSD agrees to purchase from CLAWA at least 640 acre-feet of Exchange Water or Replacement Water, or a combination thereof, in each of the first two calendar years following completion of the Water Delivery Facilities, and at least 560 acre-feet of such water in each subsequent year, up to an aggregate total of 7,600 acre-feet of such water, provided however that

- (a) LACSD shall not be required to purchase from CLAWA in any year a quantity of such water which exceeds the quantity that CLAWA makes available to LACSD for purchase in that year;
- (b) LACSD shall have the option of declining delivery of any portion of its minimum purchase quantity in any year, in which event the dollar amount paid by LACSD to CLAWA for the water purchased by LACSD but not taken by LACSD in that year shall be retained by CLAWA as a credit to be applied by CLAWA to LACSD's next subsequent purchase of such water in excess of the minimum purchase requirement in any subsequent year;
- (c) for water purchased by LACSD in any year in excess of its minimum purchase requirement in that year, the excess quantity purchased shall be applied

to its minimum purchase requirement in the immediately succeeding year or years;

- (d) should the adjustments to the price charged to LACSD per acre-foot of water, as set forth in Paragraph No. 6 of this Agreement, result in a purchase price for any year which exceeds \$2,700 per acre-foot, CLAWA and LACSD agree to adjust the minimum purchase quantity downward as necessary to limit LACSD's total payment obligation in that year to the product of (1) the minimum purchase requirement for that year, and (2) \$2,700. The quantity not purchased as a result of that reduction instead shall be added to the balance of the water to be subsequently purchased by LACSD pursuant to this Agreement.

6. Purchase Price. For each acre-foot of Exchange Water and/or Replacement Water which LACSD purchases from CLAWA pursuant to this Agreement, LACSD will pay to CLAWA a purchase price equal to the sum of the following:

- (a) \$2,000 for the treatment, storage, transportation and delivery of the water, including the use of capacity in CLAWA's facilities; provided that beginning on January 1, 2006, and on January 1 of each subsequent year, this component of the charge will be adjusted as follows:
\$363 of this component of the price, which reflects CLAWA's average cost of pumping energy per acre-foot during fiscal year 2003-2004, will be

adjusted upward or downward to reflect the cost of pumping energy per acre foot calculated as the total pumping energy cost incurred by CLAWA for the previous fiscal year divided by the total number of acre feet drawn by CLAWA from Lake Silverwood for the same time period.

- (b) \$100 to compensate CLAWA for the use of CLAWA's money to purchase water from SBVMWD for ultimate exchange and delivery to LACSD.
- (c) \$527.19, which is the price per acre-foot which CLAWA must pay to SBVMWD for the right to receive a total of 7,600 acre-feet of Exchange Water back from SBVMWD during the term of the SBVMWD Agreement; provided, however, that as an adjustment is made in the price per acre-foot which SBVMWD charges to CLAWA for such water pursuant to Paragraph No. 5 of the SBVMWD Agreement, resulting in an additional charge or a credit to CLAWA, the same adjustment in the price per acre-foot will be made in the price per acre-foot which LACSD must pay to CLAWA for the purchase of Exchange Water or Replacement Water from CLAWA. If such adjustment in the purchase price results in a refund to CLAWA, CLAWA will make a corresponding refund to LACSD within 30 days after receipt from

SBVMWD. Conversely, if such adjustment results in an invoice from SBVMWD for payment of an additional charge, CLAWA will send a corresponding invoice to LACSD for payment of the additional charge, and LACSD agrees to pay the invoiced amount to CLAWA within 30 days after the date of the invoice. If LACSD purchases Replacement Water from CLAWA, in lieu of Exchange Water, the adjustment to the purchase price charged to LACSD shall be identical to the adjustment to the purchase price which CLAWA paid to SBVMWD for the Exchange Water being replaced.

7. Billing and Payment. By October 1 of each year, LACSD will provide CLAWA with a preliminary estimate of the quantity of Exchange Water which LACSD would like to receive during the subsequent calendar year. LACSD may thereafter revise its request for such water, in writing to CLAWA, until the following March 1. By January 30 of each year in which LACSD is required to purchase Exchange Water and/or Replacement Water pursuant to this Agreement, LACSD will deposit with CLAWA an amount of money equal to one-half of the purchase price per acre-foot of water as described in Paragraph No. 6 of this Agreement (not including the adjustment thereafter made in the purchase price as set forth in Subparagraph No. 6(c)) times the minimum purchase quantity of water for that year as set forth in Paragraph No. 5; and by June 30 of that year LACSD will deposit with CLAWA the remainder of the total estimated purchase price for that year. The deposit shall be applied to the purchase price of water thereafter delivered to LACSD through the LACSD-ROW Turnout, until fully depleted. Once each month, near the end of the month, CLAWA will examine (or "read") the meter installed in the LACSD-ROW Turnout to determine the quantity of Exchange Water and/or

Replacement Water delivered through the LACSD-ROW Turnout since the date of the previous meter reading, and will provide LACSD with a statement setting forth the quantity of water delivered since the date of the previous meter reading, the corresponding charge for the water delivered, and the remaining credit balance (if any) on deposit with CLAWA. If the statement reveals an additional payment to be made by LACSD for water delivered, after the credit balance has been fully depleted, LACSD agrees to pay the amount due within 30 days after receipt of the statement. LACSD shall have the right at any time to request an independent test of the meter, to determine its accuracy, by posting a deposit with CLAWA in the amount estimated by CLAWA to be necessary to remove the meter and conduct the test. LACSD agrees to pay actual costs incurred, with an increase in the deposit or a refund as appropriate to reflect such costs. If the test reveals that the meter is accurate within a tolerance of 2%, plus or minus, the meter will be returned to service and no adjustment will be made in previous invoices. If the test reveals an inaccuracy of more than 2%, the meter will be replaced at CLAWA's expense and an adjustment will be made in previous invoices to fairly estimate the appropriate charge for Exchange Water and/or Replacement Water actually delivered to LACSD, as set forth in CLAWA's rules and regulations for water service.

8. Use by CLAWA. CLAWA shall have the right, in any year, to utilize Exchange Water to satisfy consumptive needs within CLAWA's own service area, and in a subsequent year to replace the Exchange Water used in CLAWA's service area with an equal quantity of water to be supplied to LACSD from CLAWA's allocation of water from the SWP ("Replacement Water"). In the event that CLAWA's use of Exchange Water within its own service area in any year reduces the quantity of Exchange Water available for purchase by LACSD in that year to a quantity less than LACSD's minimum purchase requirement for the year, LACSD's minimum purchase requirement for the year shall be reduced to the quantity actually made available by CLAWA in that year for purchase by LACSD. Conversely, in a subsequent year if CLAWA offers to provide LACSD with Replacement Water, in lieu of Exchange Water, such Replacement Water shall be treated the same as Exchange Water for

purposes of calculating LACSD's minimum purchase requirement as set forth herein. In lieu of CLAWA providing Replacement Water to LACSD, LACSD and CLAWA may agree to reduce LACSD's repayment obligations under this Agreement in an amount commensurate with the payments that would otherwise be due and payable for the Exchange Water that CLAWA utilizes to satisfy consumptive needs within CLAWA's own service area.

9. Operating Committee. CLAWA and LACSD acknowledge the need for coordination and mutual cooperation in scheduling the timing, flow rate and quantities of water to be delivered through the LACSD-ROW Turnout. Therefore, CLAWA and LACSD each agree to form an Operating Committee consisting of at least one designee, in each case appointed by that party's General Manager, to develop and keep current an operating plan designed to accomplish the purposes set forth herein, consistent with other system demands. The operating plan shall be consistent with CLAWA's operational procedures and criteria for the use of purveyor turnouts as they may be revised from time to time. CLAWA and LACSD further agree that their respective General Managers and/or consultants will meet as necessary to discuss mutual accommodations that may be necessary in order to deal with operational constraints. Each party shall bear its own costs for participating in, and performing any functions as part of, this Operating Committee, and in performing all other aspects of administering this Agreement. No later than January 31 of each year, the Operating Committee will prepare a written report setting forth the annual quantity of water delivered pursuant to this Agreement, the total payments made therefor, and the remaining quantity of water to be delivered.

10. Water Quality. CLAWA represents that the water made available to LACSD through the LACSD-ROW Turnout will be treated for domestic consumption and will be of the same quality as that supplied to other CLAWA customers for domestic consumption. No other representations are made with regard to the water quality. LACSD will be exclusively responsible for obtaining approval from the State Department of Health Services for the introduction of CLAWA water into LACSD's domestic water system, and from the Lahontan

Regional Water Quality Control Board for the discharge of sewage effluent derived from CLAWA water.

11. Mutual Indemnification. CLAWA and LACSD each agree to indemnify, defend and hold the other party harmless from any claim of loss or liability for damage to person or property arising out of or resulting from the indemnifying party's acts or omissions in the performance of this Agreement. In the event of a third party loss caused by the negligence, wrongful act or omission of the parties to this Agreement, each party shall bear financial responsibility in proportion to its percentage of fault as judicially determined or as otherwise agreed between them.

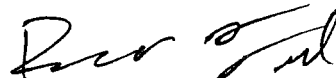
12. Condition Precedent. This Agreement shall not take effect unless and until the SBVMWD Agreement is executed by all the parties thereto.

13. Amendment. This Agreement may be amended upon approval by the governing boards of CLAWA and LACSD, by separate instrument executed in writing.

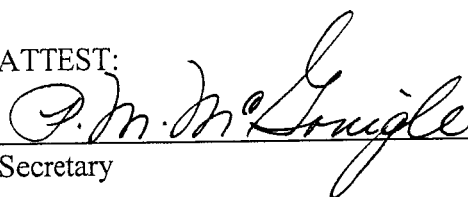
14. Legal Proceedings. In the event of any legal proceedings to construe or enforce the provisions of this Agreement, the prevailing party shall be entitled to reimbursement of costs and reasonable attorneys fees.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date first above written.

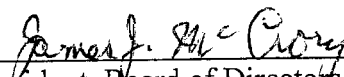
LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

By: 
President, Board of Directors

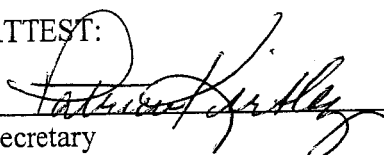
Date: 8-15-05

ATTEST:

Secretary

CRESTLINE - LAKE ARROWHEAD
WATER AGENCY

By: 
President, Board of Directors

Date: 8/25/05

ATTEST:

Secretary

039176

140,000.00

MP

1103917611 1220006611 14318118202411

CHECK REQUISITION

DATE: August 29, 2005

ISSUE CHECK TO: Crestline-Lake Arrowhead Water Agency

ADDRESS: P.O. Box 3880

Crestline, CA 92325

AMOUNT: \$140,000.00

EXPLANATION: Costs of design and construction of 1,500 gpm whole-
sale water service turnout, per Agreement for the Sale, Treatment and
delivery of State Water Project Water, July 7, 2005 - Per agreement.

33450

FOR ACCOUNTING USE

CHARGE TO ACCT#: 191 1420 0000

AMOUNT: _____

VENDOR: Crestline-Lake Arrowhead Water Agency

REQUISITIONED BY: A. Privett

APPROVED BY: *[Signature]*

CLAWA II Agreement Amended

FIRST AMENDMENT TO AGREEMENT FOR THE SALE, TREATMENT
AND DELIVERY OF WATER

WHEREAS, Crestline-Lake Arrowhead Water Agency and Lake Arrowhead Community Services District ("Parties") have entered into an agreement entitled "Agreement for the Sale, Treatment and Delivery of Water" ("Agreement") dated July 7, 2005; and

WHEREAS, the Parties have determined that a change in circumstances warrants revisions to Paragraphs Nos. 5 and 6 of the Agreement;

NOW, THEREFORE, the Parties do hereby revise Paragraph Nos. 5 and 6 of the Agreement to provide as follows:

5. Minimum Purchase Requirement. LACSD agrees to purchase from CLAWA at least 640 acre-feet of Exchange Water or Replacement Water, or a combination thereof, in each of the first two calendar years following completion of the Water Delivery Facilities (2007 and 2008), at least 560 acre-feet of such water in the third year following completion of the Water Delivery Facilities (2009), and in each year thereafter (beginning in 2010) at least 550 acre-feet of such water, with payment for the treatment, storage, transportation and delivery of the water, including the use of capacity in CLAWA's facilities, due only for water actually delivered, in the year of delivery as provided in Paragraph No. 6 below, up to an aggregate total of 7,600 acre-feet of such water, provided however that

- (a) LACSD shall not be required to purchase from
CLAWA in any year a quantity of such water which

exceeds the quantity that CLAWA makes available to LACSD for purchase in that year;

- (b) LACSD shall have the option of declining delivery of any portion of its minimum purchase quantity in any year, in which event the dollar amount paid by LACSD to CLAWA for the water purchased by LACSD but not taken by LACSD in that year shall be retained by CLAWA as a credit to be applied by CLAWA to LACSD's next subsequent purchase of such water in excess of the minimum purchase requirement in any subsequent year;
- (c) for water purchased by LACSD in any year in excess of its minimum purchase requirement in that year, the excess quantity purchased shall be applied to its minimum purchase requirement in the immediately succeeding year or years;
- (d) should the adjustments to the price charged to LACSD per acre-foot of water, as set forth in Paragraph No. 6 of this Agreement, result in a purchase price for any year which exceeds \$2,700 per acre-foot, CLAWA and LACSD agree to adjust the minimum purchase quantity downward as

necessary to limit LACSD's total payment obligation in that year to the product of (1) the minimum purchase requirement for that year, and (2) \$2,700. The quantity not purchased as a result of that reduction instead shall be added to the balance of the water to be subsequently purchased by LACSD pursuant to this Agreement.

6. Purchase Price. For each acre-foot of Exchange Water and/or Replacement Water which LACSD purchases from CLAWA pursuant to this Agreement during the first three years following completion of the Water Delivery Facilities (2007 through 2009), LACSD will pay to CLAWA a purchase price equal to the sum of the following:

- (a) \$2,000 for the treatment, storage, transportation and delivery of the water, including the use of capacity in CLAWA's facilities; provided that beginning on January 1, 2006, and on January 1 of each subsequent year, this component of the charge will be adjusted as follows:

\$363 of this component of the price, which reflects CLAWA's average cost of pumping energy per acre-foot during fiscal year 2003-2004, will be adjusted upward or downward to reflect the cost of pumping energy per acre foot calculated as the total

CLAWA will make a corresponding refund to LACSD within 30 days after receipt from SBVMWD. Conversely, if such adjustment results in an invoice from SBVMWD for payment of an additional charge, CLAWA will send a corresponding invoice to LACSD for payment of the additional charge, and LACSD agrees to pay the invoiced amount to CLAWA within 30 days after the date of the invoice. If LACSD purchases Replacement Water from CLAWA, in lieu of Exchange Water, the adjustment to the purchase price charged to LACSD shall be identical to the adjustment to the purchase price which CLAWA paid to SBVMWD for the Exchange Water being replaced.

Beginning in the fourth year following completion of the Water Delivery Facilities (2010 and following) LACSD shall pay to CLAWA the amount set forth in subparagraph 6(c) in the year in which LACSD purchases the water, and the amount set forth in subparagraph 6(a) in the year in which CLAWA delivers the water to LACSD. Furthermore, beginning in 2010, and annually thereafter, in lieu of paying a charge of \$100 per acre-foot for each acre-foot of water purchased, as set forth in subparagraph 6(b), LACSD will pay to CLAWA an annual interest payment on the amount of money which CLAWA paid to SBVMWD for the purchase of water which LACSD has not purchased from CLAWA as

Exchange Water or Replacement Water through January 30 of the year in which the payment is made. That amount shall be determined by subtracting the total amount of Exchange Water and Replacement Water purchased by LACSD through January 30 of that year from the total quantity of 7,600 acre-feet of water which CLAWA purchased from SBVMWD, and then multiplying the difference times \$527.19. The product of that calculation shall be called the "Unpaid Balance." On January 30 of each year, beginning in 2010, LACSD shall make an annual interest payment to CLAWA on the Unpaid Balance. The interest rate shall be the average rate of return which CLAWA received on its funds invested with the State of California's Local Agency Investment Fund during the previous calendar year, plus one percent (1%).

CRESTLINE-LAKE ARROWHEAD
WATER AGENCY

By: 

President, Board of Directors

Date: 9/3/09

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

By: 

President, Board of Directors

Date: 9/8/09

Lake Arrowhead Country Club (LACC) Recycled Water Agreement

WATER SERVICE AGREEMENT

BETWEEN

THE LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

AND

THE LAKE ARROWHEAD COUNTRY CLUB

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**WATER SERVICE AGREEMENT
BETWEEN
THE LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
AND
THE LAKE ARROWHEAD COUNTRY CLUB**

THIS AGREEMENT is made and effective this 27th day of November, 2007 (the "Effective Date") by and between the LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT, a public agency ("LACSD") and the LAKE ARROWHEAD COUNTRY CLUB, a California corporation ("LACC"). LACSD & LACC are sometimes collectively referred to as the "Parties".

RECITALS

THIS AGREEMENT is entered into based upon the mutual belief by both parties that the following events have occurred. However, the existence or non existence in all or in part of the following recited events (A-H), except for LACC's present ownership of the subject property and the subterranean ground water beneath and LACSD's right to supply water to it, shall not constitute a basis for unilateral rescission of this contract or the avoidance thereof by either party.

A. The LACC owns and operates a golf course that was established in 1923 by the Arrowhead Lake Company ("ALC") pursuant to a plan of development initiated by its predecessor, the Arrowhead Reservoir and Power Company, in 1905. LACC is located primarily in Section 17, with small portions in Sections 18 and 19, Township 2 North, Range 3 West, in an area of unincorporated San Bernardino County commonly known as Grass Valley ("LACC's Property"). LACC's golf course is irrigated with surface water from Grass Valley Creek, Grass Valley Lake, and Lake Arrowhead.

B. ALC formed the Arrowhead Utility Company ("AUC") and thereafter, ALC conveyed, by deed to AUC, the right to take water from Lake Arrowhead for domestic use by the residents of the resort community of Lake Arrowhead. In 1964 the Lake Arrowhead Development Company entered into an "Agreement of Settlement and Compromise" establishing among other things certain boating, fishing, swimming, dock rights as well as limits on the non-domestic consumption of water should the lake fall below 5100 feet above sea level, as provided in that Agreement.

C. The LACSD was formed in 1978. On June 9, 1978, AUC sold its domestic water system (except LACC's water delivery system) to LACSD. The Purchase and Sale Agreement also established a price formula for the delivery of Lake Arrowhead water to LACC ("1978 Agreement").

D. Anticipating the need to obtain additional water supplies to reduce and ultimately eliminate reliance on Lake Arrowhead to meet the water demands in the community of Lake Arrowhead, in 2003 LACSD and LACC entered into a series of three "Water Well Agreements" wherein the parties agreed that LACSD would be allowed to pump LACC's groundwater from

beneath LACC's Property in exchange for an equal amount of water delivered to LACC from Lake Arrowhead. The Agreement of Settlement and Compromise, the 1978 Agreement and the three "Water Well Agreements" between the parties and their respective predecessors-in-interest shall be hereafter collectively referred to as the "Prior Agreements." These "Prior Agreements" are attached to this current agreement as Exhibits A1-A5, respectively.

E. In 2004, LACSD adopted Ordinance No. 61, establishing a "Supplemental Water Fee" for the purpose, among others, of purchasing a supply of State Water Project water from the Crestline-Lake Arrowhead Water Agency. LACC challenged the adoption of the Supplemental Water Fee in Lake Arrowhead Country Club v. Lake Arrowhead Community Services District, San Bernardino County Superior Court Case No. SCVSS 121294, which challenge was voluntarily dismissed in April, 2007, as partial consideration for this Agreement.

F. In January, 2006, the State Water Resources Control Board ("SWRCB"), in response to two complaints filed against LACSD concerning its use of Lake Arrowhead as a source of water, issued Order No. WR 2006-0001("Order"), which, among other things, limited LACSD's diversion of water in Lake Arrowhead for potable and non-potable uses to a total of 1,566 acre feet per calendar year beginning in 2008.

G. In order to meet its obligations under the Order, LACSD is developing and implementing a comprehensive program to reduce diversions from Lake Arrowhead. One element of this comprehensive program is to recycle wastewater produced by LACSD's Grass Valley Wastewater Treatment Plant ("GVWWTP") for the purpose of delivering Recycled Water to irrigation end-users. Another element of LACSD's program is to develop local groundwater sources to supplement its potable water supplies.

H. LACSD and LACC have been involved in extensive discussions and negotiations, culminating in the joint approval of that certain "Agreement in Principle" dated for reference purposes "3/21/07," for the purpose of developing an agreement memorializing the terms and conditions by which LACC would use Recycled Water in lieu of irrigation water from Lake Arrowhead, and LACSD would use LACC's groundwater for delivery to its domestic customers. The parties are desirous that all prior agreements be incorporated into this master agreement which shall supersede the "Prior Agreements" to the extent that any provision of this Agreement contradicts all or part of any of those "Prior Agreements." To the extent that such "Prior Agreements" are not contradicted herein they shall remain in force.

AGREEMENT

NOW, THEREFORE, in order to further the cooperation between LACSD and LACC, and in consideration of the covenants and agreements hereinafter contained being fully kept and performed, and in consideration of the benefits to be derived by each Party, the Lake Arrowhead Community Services District and the Lake Arrowhead Country Club hereby agree to this Agreement, dated November 27, 2017, replacing, only where contradictory, all prior agreements, or any provisions thereof, between the Parties, as follows:

1. **Term of Agreement.** The initial term of this Agreement shall be 33 years, commencing on the date of this Agreement. The term may be extended by mutual agreement of the Parties for two additional terms of 33 years each.
2. **Purpose and Intent.** This Agreement is intended to resolve certain specific disputed matters that arise out of the unique position of LACC as the owner of the only golf course possessing water rights within the jurisdiction of LACSD. A fundamental premise of this Agreement is that, except as otherwise provided in this Agreement, LACC is deemed to be a "regular" customer of LACSD and, as such, is obligated to pay LACSD's regularly-established potable water rates, supplemental water rates and recycled water rates.
3. **Exclusive Agency to Pump Groundwater.**
 - a. **Appointment of Agent.** LACC hereby appoints LACSD as its exclusive agent to act on behalf of LACC and LACC's successors and assigns, and does hereby authorize and license LACSD to extract, produce, store and distribute all groundwater under LACC's Property for the purpose of supplying such water to LACC's Property and to all other properties within LACSD's service area. Subject to all of the terms and conditions of this Agreement, LACC hereby agrees, for itself and for its successors and assigns, to discontinue, refrain and forebear from engaging in any groundwater extraction activities on its Property, now and hereafter. LACC further agrees that all water purchased from LACSD shall be paid for in accordance with the terms and conditions of this Agreement and LACSD's rules and regulations governing water service not in conflict with the provisions of this Agreement.
 - b. **Description of Facilities.** As of the date of this Agreement, LACSD operates four groundwater extraction wells and appurtenant facilities, including connecting pipelines and electrical power conduits, together with vehicular ingress and egress and circulation within LACC's Property, all as more particularly described and depicted on Exhibits "B" and "C" attached hereto and made a part hereof.
 - c. **Beneficial Use.** To ensure beneficial use of LACC's groundwater, LACSD agrees to use such water to the greatest extent possible.

Consistent with Section 2(b) of the Water Well Agreements, LACSD shall have the full responsibility and right to take any and all actions to establish an appropriative water right, or any other applicable water right, in connection with the appropriation and conveyance of such water off of LACC's property and into LACSD's system for LACSD's use in its discretion including, without limitation, domestic drinking water supplies and service, irrigation, and recycled water. Consistent with Section 2(a) of the Water Well Agreements, nothing in the Water Well Agreements or this Agreement shall constitute the transfer of ownership of LACC's Water Right, as defined in the Water Well Agreements, to LACSD.

4. **Recycled Water Project.** Except as provided in this agreement, LACSD shall, at its sole cost and expense, plan, design, construct, install, operate and maintain facilities necessary for the production, storage and delivery of Recycled Water to LACC, as more specifically provided for herein. The Recycled Water Facilities are generally described and depicted on **Exhibit "D"** hereto and shall possess the following characteristics:
 - a. **Delivery Point.** Recycled Water shall be delivered by LACSD to LACC at the Delivery Point as depicted on **Exhibit "D"** or such other Delivery Point as the parties may agree. LACSD shall install, operate and maintain a Recycled Water delivery meter(s) and shall ensure metering accuracy by periodic testing or by testing on request of LACC. Consistent with this Agreement, LACC shall take delivery of Recycled Water at the applicable Delivery Point.
 - b. **Water Quality.** LACSD shall be responsible for ensuring that the quality of the Recycled Water shall comply with all applicable laws and regulations. LACC shall make on-site infrastructure improvements for use of the Recycled Water according to State standards.
 - c. **Price.** The initial price of the Recycled Water has not yet been established; however, the initial price will be lawfully and fairly established by the Board of Directors of LACSD with consideration of the recommendations of the Recycled Water Operations Committee created hereunder and shall not exceed 60% of the average annual price paid by a LACSD ratepayer for a commensurate amount of water suitable for potable use during the preceding calendar year. Unless delayed as provided for in paragraph 7(b), until such time as Recycled Water has commenced to be delivered to LACC the rate charged for all irrigation water delivered to LACC shall be \$278.00 per acre foot.
 - d. **Recycled Water Credits.** LACC shall receive credits toward the purchase of Recycled Water delivered by LACSD, as measured by the amount of groundwater extracted by LACSD from the wells on LACC's Property and delivered to LACSD's potable water distribution system. Commencing on the date of this Agreement, for each unit of groundwater

extracted, LACC shall receive a credit of 1.3 units of Recycled Water. LACC shall be entitled to carry over any unused credit into subsequent years, for a maximum of five years. Any credit not used within five years following the year in which the credit was received shall be forfeited.

- e. **Installation of On-Site Recycled Water Irrigation System.** LACC shall install the reasonably necessary irrigation system needed to take delivery of, and to irrigate, the golf course with the Recycled Water delivered by LACSD to the Delivery Point. Such improvements and use thereof shall comply with applicable State health regulations. Upon receipt of the appropriate documentation and invoices, LACSD shall reimburse LACC, on a monthly basis, 50% of the reasonable and necessary costs of improvements for the use of recycled water installed by LACC and agreed to by LACSD. The maintenance of the irrigation system shall be the responsibility of LACC, except that LACSD agrees to pay 50% of the costs, exclusive of labor, on any reasonable and necessary maintenance costs that are determined to be caused by or directly attributable to the use of recycled water, in accordance with applicable laws and regulations. Infrastructure changes and maintenance costs unnecessary for the supply of recycled water are not reimbursable and are not included in this provision.
- f. **Irrigation Water Around Well Sites.** The parties agree that historically LACSD delivered irrigation water for 100% coverage of LACC's golf course and environs. The Parties acknowledge that there are health standards and restrictions regarding the use of Recycled Water in proximity to ground water wells. The Parties agree to abide by those standards and restrictions and, if necessary, LACSD will provide sufficient non-recycled water as a substitute for Recycled Water, in order to continue to provide 100% coverage of LACC's golf course and environs. Water suitable for potable use delivered for irrigation around well sites will be credited against groundwater pumped off of the LACC property.
- g. **Use of Recycled Water.** Except as provided in paragraph 3f, LACC may use Recycled Water for irrigation of its golf course and, to the extent permitted by law, for impoundment in the golf course's water traps.
- h. **Quality Testing.** LACSD shall perform all water quality testing and ensure compliance with all laws, rules and regulations governing the production, distribution and use of Recycled Water. When received, LACSD will deliver copies of all reports, studies and test results concerning Recycled Water to LACC for its information and file. However, LACSD shall be allowed ingress and egress to the property and allowed to perform all reasonable and necessary testing upon reasonable notice to LACC.

- i. **Assurances.** As and for additional consideration for LACC's use of Recycled Water, LACSD hereby acknowledges, agrees and guarantees, for itself and its successors:

aa. That to the extent allowed by law the delivery of Recycled Water to LACC shall not be restricted in any manner, or made the subject of any conservation or other restrictive measures that may now exist or hereafter be established, whether justified by a drought or otherwise. It is the mutual intent and desire of the Parties that Recycled Water be readily and freely made available to LACC without any restrictions of any kind or nature, in recognition of the fact that Recycled Water is processed wastewater that is otherwise discarded.

bb. That Recycled Water shall be sold at the regularly-established Recycled Water rate, without additional or supplemental rates, fees or charges added thereto or included therein. It is the mutual intent and desire of the Parties that Recycled Water be priced for sale to all LACSD Recycled Water customers at a level commensurate with the price of such water in other similarly situated California communities, provided however that this price shall not exceed 60% of the cost of the commensurate amount of water suitable for potable use as provided in paragraph 4(c) of this Agreement..

- j. **Back-Up Water Supplies.** In anticipation of scheduled and unscheduled interruptions of Recycled Water deliveries, LACSD shall designate and earmark one or more alternate sources of water for LACC's irrigation purposes. Because LACSD anticipates that the interruption of Recycled Water services will be both occasional and brief, in the interest of simplicity the price for such alternate sources of water shall be equivalent to the then-current price for Recycled Water.
- k. **Potable Water Supply.** LACSD will continue to supply water suitable for potable use to LACC for use at its Clubhouse and other facilities used by LACC's membership, on the same terms and conditions as regular domestic water customers.
- l. **Purchasing Supplemental Water for Grass Valley Lake.** In the event LACC determines, in its sole discretion, to obtain water from Lake Arrowhead to maintain the water level of Grass Valley Lake during the irrigation season, LACC will order such water through LACSD, to be delivered for a price equivalent to LACSD's applicable standard water rate for that quantity of water.

5. **Recycled Water Operations Committee.** There is hereby established the "Recycled Water Operations Committee," which shall consist of the General Manager of LACSD and the General Manager of LACC, or their respective

designees. With the mutual consent of both General Managers other persons may participate. The committee shall meet at such times and places as the General Managers mutually agree upon. The fundamental purpose of the Committee is to ensure that the golf course has ready access to sufficient supplies of reasonably-priced water during the irrigation season, which generally runs from April to November. Other purposes of the Committee include.

- a. Scheduling the delivery of Recycled Water;
 - b. Scheduling maintenance, repair or replacement of the Recycled Water Facilities and the interim delivery of an alternate source(s) of water;
 - c. Cooperatively developing best management practices for golf course irrigation including, without limitation, flushing golf course greens for salt removal, wellhead protection, and diversions from Grass Valley Creek and Lake, and Lake Arrowhead.
6. **Additional Wells.** LACSD shall be entitled to develop additional groundwater wells and any monitoring wells that may be required by applicable regulatory agencies on LACC property at mutually agreed upon locations in consideration of the payment of one million (\$1,000,000.00) as outlined herein. LACC shall grant reasonable access to drill such wells and shall not unreasonably deny site locations; LACSD covenants that such drilling operations will not unreasonably interfere with the operations of LACC.
- a. All costs and expenses associated with the design, permitting, construction, operation, maintenance, repair, and replacement shall be born solely by LACSD;
 - b. Each new well shall be constructed in the manner that will allow for the delivery of groundwater to LACSD's system;
 - c. The precise location of each well, and the pipelines, conduits and vehicular access to such wells shall be established by mutual agreement of the Parties; construction and maintenance schedules shall be established in a manner least disruptive to golf course operations and confined to the minimum amount of area required for such purposes;
 - d. Any and all damage to the golf course shall be repaired and the golf course shall be restored to as nearly original condition as possible at the sole cost and expense of LACSD;
 - e. LACSD shall own all wells and appurtenant facilities provided, however, at the expiration of this Agreement, LACSD shall have 180 days to remove all such wells and appurtenant facilities, otherwise title in such wells and appurtenant facilities shall revert to LACC.

- f. Receipt by LACC of LACSD's one-time, lump-sum payment of \$1,000,000.00 prior to commencement of construction of the first new well or not later than six months after the date of this Agreement, whichever occurs first, provided LACC does nothing to prevent or delay the construction of the first new well.
- g. Each new well shall be drilled in accordance with the general standards set out in all past well agreements. If the parties cannot agree upon the standards procedures to be followed for the drilling of any new well then the standards and procedures set out in the last known agreement shall control except as to location.

7. **Miscellaneous Provisions.**

- a. **Dismissal of Litigation.** As previously agreed by the Parties, prior to the Effective Date of this Agreement, LACC dismissed the lawsuit entitled Lake Arrowhead Country Club v. Lake Arrowhead Community Services District (San Bernardino Superior Court Case No. SCVSS 121294) as to all parties and without prejudice; provided, however, that upon execution of this Agreement LACC agrees that it shall not re-file the lawsuit and that such dismissal shall be deemed a dismissal with prejudice. Each Party shall bear its own costs and legal fees, including any costs and fees incurred in connection with the negotiation and settlement of the litigation and the preparation of this Agreement.
- b. **Interim Water Service for Irrigation Purposes.** LACSD intends to be capable of delivering Recycled Water to LACC by the beginning of the irrigation season in 2010. In the interim, non-recycled water shall be made available to LACC for irrigation of the Golf Course by LACSD at the rate of \$278.00 per acre foot. In the event LACSD is unable to deliver Recycled Water to LACC by the start of the 2010 irrigation season, then the Parties shall negotiate a revised rate for interim water service.
- c. **Water Production and Delivery Reports.** LACSD shall prepare and deliver to LACC monthly reports showing the amount of groundwater each well on LACC's property has produced, the amount of groundwater delivered to the LACSD potable water distribution system, the amount of groundwater delivered to Grass Valley Lake and the amount of Recycled Water delivered to LACC, whether Recycled Water, groundwater and/or other water, and accrued and available Recycled Water credits.
- d. **Further Acts.** Each Party agrees to perform any further acts and to execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement.
- e. **Binding on Successors.** This Agreement shall bind the Parties hereto and their respective successors and assigns. LACC reserves the right to assign

its rights, duties and obligations under this Agreement to successors-in-interest.

- f. **Amendments.** No provision of this Agreement may be amended or added except by an agreement in writing signed by the Parties or their respective successors in interest, expressing by its terms an intention to modify this Agreement.
- g. **Provisions are Covenants and Conditions.** All provisions, whether covenants or conditions, on the part of either Party, shall be deemed to be both covenants and conditions.
- h. **Consent.** Whenever consent or approval of either Party is required that Party shall not unreasonably withhold such consent or approval.
- i. **Severance.** If any provision of this Agreement is determined to be void by any Court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement, and all other provisions shall remain in full force and effect provided, however, that the purpose of this Agreement is not frustrated. It is the intention of the Parties that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other which would render the provision valid, then the provision shall have the meaning which renders it valid.
- j. **Notices.** All notices, demands, requests, consents, approvals or other communications that either Party desires or is required to give to the other Party, shall be addressed to the General Manager of the other Party.
- k. **Dispute Resolution; Attorneys Fees.** Any dispute which may arise under this Agreement shall be submitted to binding arbitration. Arbitration shall be conducted by the San Bernardino/Riverside Panel of the Judicial Arbitration and Mediation Services, Inc., or such other arbitration service that the Parties agree to in writing, in accordance with its rules in effect at the time of the commencement of the arbitration proceeding, and as set forth in this section. The arbitrator must decide each and every dispute in accordance with the laws of the State of California, and all other applicable laws. Reasonable discovery may be conducted in the arbitration proceeding pursuant to Section 1283.05 of the Code of Civil Procedure. If the Parties agree, prior to the appointment of the arbitrator, disputes shall first be submitted to non-binding mediation, conducted by the Judicial Arbitration and Mediation Services, Inc., or such other mediation service that the Parties agree to in writing, in accordance with its rules and procedures for mediation. In the event of any litigation or arbitration between the Parties to enforce any of the provisions of this Agreement or any right of any Party hereto, the unsuccessful Party to such litigation or arbitration agrees to pay to the successful Party all costs and

expenses, including reasonable attorneys' fees, incurred therein by the successful Party.

- l. **Water Quality and Quantity.** LACC makes no representations regarding the quality or quantity of its groundwater supplies, and this Agreement is not contingent upon LACSD's ability to develop any quantity or quality. LACSD shall be solely responsible for complying with water quality and public health regulations with respect to the use of groundwater supplies.
- m. **Condition Subsequent-Termination of Exclusive Agency.** LACSD shall have the exclusive right to use the well sites on LACC's Property to install, operate, maintain, repair and replace groundwater extraction wells for the term of this Agreement; provided, however, that LACSD and LACC acknowledge and agree that in the event that LACSD is unable to continue to provide Recycled Water it shall provide alternate water at the same price that it would have provided Recycled Water, had it been available.
- n. **CEQA and Regulatory Compliance.** LACSD, for itself and on behalf of LACC, shall be responsible for complying with the California Environmental Quality Act, for obtaining all necessary and required permits for LACSD and LACC, for compliance with water quality and other applicable regulations, water discharge regulations (including those applicable to the use of Recycled Water on LACC's golf course), Basin Plan objectives and amendments thereto, and salt mitigation.
- o. **Covenant of Good Faith and Fair Dealing.** This Agreement contemplates a long-term, complex, public-private relationship the details of which cannot be foreseen by either Party with clarity at this early stage. Therefore, the Parties covenant and agree to always act in good faith and to deal fairly with each other, to promptly meet and confer upon request of either Party, to discuss, negotiate and memorialize the results of each such negotiation in the form of a modification to this Agreement which binds them, as and when each such detail reveals itself, in the fullness of time.
- p. **Retention of Surface Water and Groundwater Rights.** LACC and LACSD hereby specifically acknowledge and agree that LACC's use or non-use of its groundwater and surface water supplies is not intended to, and shall not be construed to be a transfer, severance, diminution, impairment, waiver, forfeiture or abandonment of any existing claim or right to water from any source including, but not limited to, Grass Valley Creek, Grass Valley Lake, Lake Arrowhead and the groundwater beneath LACC's Property. The Parties further acknowledge and agree that LACSD's use (if any) of surface water from Grass Valley Creek, Grass Valley Lake and Lake Arrowhead, and the use of groundwater from beneath LACC's Property is undertaken with LACC's consent and is not hostile or adverse to LACC's rights and, further, that LACSD does not and

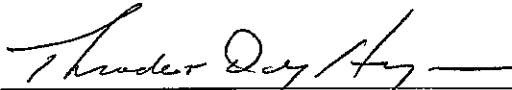
will not claim or otherwise acquire any water right through use, adverse use, prescription, or otherwise. The provisions of California Water Code, Section 1010 apply to the use of the Recycled Water by LACC.

- q. **Independent Parties.** In carrying out the provisions of this Agreement, LACSD and LACC shall act as independent Parties and nothing contained in this Agreement shall be deemed or construed by the Parties hereto or by any third person to create the relationship of principal and agent, joint venture or partnership.

IN WITNESS WHEREOF, the Parties have executed this Water Service Agreement to be effective on the date first above written.

LAKE ARROWHEAD COMMUNITY SERVICES
DISTRICT

Dated: 11/27/07

By 
President, Board of Directors

ATTEST:


Secretary to the Board of Directors

LAKE ARROWHEAD COUNTRY CLUB, INC.

Dated: November 21, 2007

By 
President, Board of Directors

EXHIBIT A

AGREEMENT OF SETTLEMENT AND COMPROMISE

THIS AGREEMENT OF SETTLEMENT AND COMPROMISE made and entered into in duplicate as of this 22nd day of August, 1964, by and between ARROWHEAD WOODS PROPERTY OWNERS ASSOCIATION, sometimes hereinafter referred to as the "Association", SIDNEY B. BISNO, JUNE B. BISNO, JOHN CHRISTOPH MOLLER, JR., ELIZABETH YVONNE MOLLER, and LOUIS E. PURMORT, herein jointly known as "plaintiffs" and LAKE ARROWHEAD DEVELOPMENT CO., a California corporation, sometimes hereinafter referred to as "Development Co.", and ARROWHEAD MUTUAL SERVICE CO., a California corporation, sometimes hereinafter referred to as "Service Co.", and jointly as "defendants";

WITNESSETH, that:

WHEREAS, plaintiffs filed an action against the defendants in the Superior Court of the State of California, in and for the County of San Bernardino, being No. 112002 in the records of said Court, and

WHEREAS, the purpose of said action is to establish the right of property owners in Arrowhead Woods, as hereinafter defined, to certificates of membership in the defendant Service Co., to impress a trust on certain lands owned by Service Co. which are referred to as the reserve strips and the reserve strip additions and are hereinafter defined, and on certain rights owned by Service Co. in Lake Arrowhead, hereinafter referred to as the "Lake", which is owned by the defendant Development Co., and for declaratory relief and for an accounting, and the parties now desire to settle and compromise said action, to dismiss the same, and exchange mutual releases, and

WHEREAS, it is the desire of all of the parties by this agreement to determine and establish certain rights in the plaintiffs and in other property owners of lands in Arrowhead Woods in the reserve strips, the reserve strip additions, and in the Lake, all pursuant to the terms of this agreement,

NOW, THEREFORE, the parties agree as follows:

1. The term "Arrowhead Woods" means lands in the County of San Bernardino, State of California, situate in Township 2 North, Range 3 West, San Bernardino Base and Meridian, lying within the boundaries shown upon the map which is attached hereto marked "Exhibit 1". Said Exhibit 1, and Exhibit 2 which are attached hereto are hereby referred to and incorporated in this agreement.

2. "Reserve strips" are certain strips of land bordering the major portion of the Lake and lying within the contour lines 5,122 feet above sea level to 5,132 feet above sea level as herein defined, and "reserve strip additions" are certain strips of land bordering the major portion of the Lake and lying within the contour lines 5,100 feet above sea level to 5,122 feet above sea level, all as more particularly described in the deeds listed on Exhibit 2 under the heading "Reserve Strip and Reserve Strip Addition Deeds". Said reserve strips and said reserve strip additions are now and shall remain subject to the servitudes imposed thereon by the terms of the respective deeds listed in said Exhibit 2, and are collectively hereinafter called the "strips".

3. Development Co. and Service Co. hereby grant without warranty express or implied to all owners of lots in Arrowhead Woods which at any time heretofore have been owned by Service Co., Development Co., Los Angeles Turf Club, Inc., Arrowhead Lake Corporation or Arrowhead Lake Company, and to the successors and assigns of such owners, and subject to all recorded conditions, restrictions and reservations, the following non-exclusive rights, easements and servitudes in,

over, upon and with respect to the reserve strips and reserve strip additions, and the Lake, viz:

(a) The right for themselves, their lessees and house guests to use the strips for private park and reasonable recreational purposes, and for ingress and egress by foot travel, but not for commercial or business purposes;

(b) The right to have the strips be and remain free of any noxious thing and of any trade or business kept, maintained or permitted upon said premises, nor shall any livestock of any kind, including live poultry, be kept, permitted or maintained upon the strips.

(c) The right for themselves, their lessees and house guests to use the Lake for reasonable recreational purposes, including but not limited to boating, fishing, swimming and bathing, but not for business or commercial purposes, and subject to the rights expressed in paragraph 6 of this instrument, and the right in Development Co. and Service Co. or either of them to promulgate and enforce reasonable regulations designed to promote the safety, health, comfort and convenience of persons in or upon the Lake or in the vicinity thereof with respect to the conduct of such activities.

4. Any act or omission inconsistent with said easements and servitudes or any of them and any violation or breach of any right, condition and/or restriction expressed herein may be prevented by injunction and such remedy may be availed of by not less than three owners of lots or portions of lots in Arrowhead Woods. The remedies herein contained shall be cumulative and one shall not be exclusive of the other.

5. Development Co. and Service Co., or either of them shall not increase the height of the dam (which created the Lake) above its present height, nor voluntarily impound water in the Lake to an elevation in excess of 5,108 feet above sea level as herein defined, unless in either case, such act shall be required by Governmental order or regulation.

The term "Sea Level" shall be and shall be construed to be that certain datum plane or point which is 5,122 feet below the level of that certain bench mark which is the top of a two-inch iron pipe situate vertically in a concrete block located 56 feet due South of the corner common to Sections 15, 16, 21 and 22 in Township 2 North, Range 3 West, San Bernardino Base and Meridian, in the County of San Bernardino, State of California.

6. Development Co. and Service Co. or either of them are entitled to charge lot owners reasonable fees for permitting piers and docks to be located and kept on the strips or any of them and/or the Lake and are also entitled to charge reasonable fees for licensing of boats to be used on the Lake and for rental slips; and license agreements hereafter entered into between the parties covering boat or dock licenses shall be consistent with the terms of this Agreement.

7. As used herein, the term "slip" shall mean space on a dock or pier adapted to the mooring of one boat while such boat is floating on the Lake.

On December 31, 1961 there were approximately 835 slips on the Lake, in addition to slips used or held for rental of boats to the public. Development Co. and/or Service Co. shall never permit the total number of slips on the Lake at any one time to increase over 1,285 (835 + 450) except that such number may be increased by the aggregate of the following:

(a) One slip for each lake front lot in Arrowhead Woods which was owned by Development Co. on January 1, 1962, whether then or thereafter subdivided, and for the purposes of this paragraph all lots on the "Peninsula" described on Exhibit 2 shall also be deemed to be lake front lots.

(b) 15% of the number of other lots in Arrowhead Woods contracted to be sold by Development Co. after January 1, 1962.

(c) Any slips in front of "Hamiltair" Subdivision.

(d) Each owner of a lot in Arrowhead Woods purchased by him or his predecessor prior to January 1, 1962, who did not on December 31, 1961, have a dock or pier, and whose lot at the time of application for a dock and/or pier shall be improved with a residence, may hereafter at the option of Development Co. and Service Co. be allowed one slip, or with the approval of the Association when deemed equitable and for the best interests of the community, more than one slip.

8. A large number of owners of lots in Arrowhead Woods have built residences on such lots. Such lots so improved with residences are herein called "Improved lots". Many of the owners of improved lots now have docks on the Lake and in some cases also piers and appurtenances on the strips.

Each owner of such improved lot who now has a dock upon the Lake and/or a pier upon the strips or any of them shall have the right to continue to have such dock and/or pier, together with appurtenances upon the Lake and strips and may transfer such right to a bona fide purchaser of such improved lot subject to the right of Development Co. and/or Service Co. to require the relocation and/or alteration thereof or substitution, as herein provided, when reasonably necessary for improvement of docking facilities on or access to the Lake, provided, further, that the Development Co. and/or the Service Co. shall, except in the case of piers or docks for Lake front lots, have the right to require the substitution of a slip or slips in a multiple-slip dock or marina in lieu of any then existing dock and/or pier.

Such right of alteration and/or relocation or substitution shall not be exercised before January 1, 1970, and shall not be arbitrarily required. Any such alteration and/or relocation or substitution shall be made to a location or facility as close to the dock location now existing as is practicable.

In case the Development Co. requires substitution of a slip or slips in a marina or multiple-slip dock for a private dock, the Development Co. upon transfer of the private dock to it will pay to the owner the cost thereof less ten (10%) percent of such cost for each year since the date of construction of such dock.

Any owner of a lot in Arrowhead Woods whose pier or dock now existing would be affected by any such proposed substitution shall have the right to have determined by arbitration (as hereinafter provided) any or all of the following:

(a) whether such substitution is reasonably necessary for improvement of docking facilities on or access to the Lake; and

(b) whether the substitution proposed is to a location or facility as close to the existing dock location as is practicable.

Such substitution is hereby agreed to be reasonably necessary, and such necessity shall not be arbitrated as to marinas or multiple-slip docks which shall be installed after January 1, 1970 in the locations marked "1", "2", "3" and "4" shown on Exhibit 3 attached hereto.

The decision of the arbitrators shall be final, and if such decision is in the negative as to any of the arbitrated questions, the proposed substitution shall not be made.

The right of a lot owner, or group of lot owners, as hereinafter set forth, to have the matter submitted to arbitration shall be exercised by the lot owner or group of lot owners requesting the same and giving the name and address of an arbitrator requested by him or them. The Development Co. or the Service Co. shall thereafter notify the lot owner, or group of lot owners, of the name and address of an arbitrator desired by it. The two arbitrators so selected shall select a third arbitrator between them. In the event they are unable to do so the matter shall be presented to the American Arbitration Association who shall select a third arbitrator. The vote of any two of the three arbitrators shall be sufficient for an award.

In the event the Development Co. or Service Co. requires simultaneously the substitution affecting a group of two or more existing docks, there will be with respect to said substitution only one arbitration proceeding as hereinabove provided.

Any such lot owner or purchaser as a condition to the exercise of such rights shall pay such reasonable fee and execute such reasonable application and permit as may then be generally required by the Development Co. and/or Service Co. for the maintenance of docks, piers and appurtenances on the Lake and strips.

Any pier or dock hereafter installed on the reserve strip additions shall be so located as to preserve at the 5,100 foot elevation a clear separation of at least 8 feet between such pier or dock and any pier or dock existing on January 1, 1962, unless otherwise agreed between the parties directly affected.

9. No person, except by agreement of the Association and the Development Co. will in the future be permitted to have a dock or boat on the Lake, or pier on the reserve strip additions who is not the owner of improved residential property in Arrowhead Woods, but this paragraph shall not apply to rental boats (450 maximum), to boats used in law enforcement or the enforcement of said regulations, nor to excursion boats or work boats, nor to boats entered in sanctioned boating events on the Lake, nor boats (not exceeding 50 in number at any time) specially authorized by Development Co. to use the Lake. Subject to the provisions of Paragraph 7 nothing in this agreement contained shall effect any right of present or future owners of unimproved lots in Arrowhead Woods to put boats on the Lake on a daily basis, or to rent slips on an availability basis, nor preclude the exercise of such rights.

Buyers of lots sold in that portion of Arrowhead Woods known as "Grass Valley" will not be given the right by Development Co. or Service Co. to own piers or docks on the Lake, but may be given the right, subject to compliance with paragraphs 7 and 9 of this agreement to rent slips in multiple-slip marinas.

10. At the present time it is uncertain as to many roads in Arrowhead Woods whether they are or are not public roads. Development Co. and Service Co. shall diligently proceed in cooperation with the County of San Bernardino to determine which roads in Arrowhead Woods are public, and shall conclude

such determination within six months after date of this agreement. As to such roads which are not presently public roads, Development Co. and Service Co. shall offer to the County of San Bernardino to dedicate to public use such of said roads as are owned by Development Co. and Service Co. or either of them, and shall so dedicate such of said roads as said County will accept.

11. At the present time, title to the trees and other shrubs on lots in Arrowhead Woods is vested in Service Co. Within one year from date, Service Co. will quitclaim the trees and shrubs on any lot in Arrowhead Woods to the owners of such lot who request such conveyance and tender the cost of recording said quitclaim. Such quitclaim shall be subject only to an express provision that the property owner will not cut down, remove or alter any living tree unless first approved by an architectural committee appointed by Service Co. The Association shall have the right to appoint and maintain one member on such committee.

12. The Association shall have the right to select and maintain, at all times, two members on the Board of Directors of the Service Company. The Service Company may now, or at any time hereafter, increase the total number of directors, and this right shall be without restriction or limitation. No such increase in the total membership of the Board of Directors shall entitle the Association to any greater representation on the Board than the two members, as hereinabove stated.

13. Development Co. is and shall be only permitted to voluntarily and intentionally reduce the level of Lake Arrowhead below 5,100 feet above sea level for certain restricted purposes under the reserve strip addition deeds and specifically, it is not permitted when the surface level of the Lake is below 5,100 feet, to use such water for any purpose other than domestic use in Arrowhead Woods and for fire protection in Arrowhead Woods or the adjoining mountain areas, but the parties agree that Development Co. may, when the level of the Lake is below 5,100 feet above sea level, also use the waters of the Lake for

watering the golf course located in Grass Valley so long as the amount of water so used for said golf course does not exceed 250 acre feet during any one calendar year (which is approximately 4 inches of water off the surface of the Lake at 5,100 feet elevation). Development Co. agrees to accurately meter all non-domestic water and annually furnish the Association on or before March first of each year with a certified copy of its records for the previous calendar year showing the amount of such non-domestic water so used in such year.

14. The action shall be dismissed with prejudice upon recordation of this agreement and the attorneys for the respective parties are authorized and directed to so dismiss the action upon such recordation. Such dismissal shall not preclude future enforcement of the provisions of this agreement.

It is the intent of the parties in entering into this agreement to settle specifically all disputes which have resulted in the filing of said action, and all disputes that now exist between them pertaining to the strips or the Lake, or pertaining to membership in Service Co.

In connection with the settlement of such disputes Development Co. and Service Co. expressly agree that in the placing of locations for new piers or docks or in exercising their rights under paragraph 8 requesting the alteration and/or relocation or substitution of docks or dock space, they will fairly and equitably exercise such rights and will not be biased or prejudiced against a lot owner because he may be one of the plaintiffs in said action or because he is now or may at one time have been or may in the future become a member, director or officer of the Association.

15. This agreement is to be binding upon and inure to the benefit of the successors, lessees and assigns of the parties hereto and it is the intention of the parties hereto that this agreement should be recorded so as to constitute notice to any buyer of property within the exterior boundaries of Arrowhead Woods, including the strips and the Lake.

16. This agreement may be amended at any time or times by a written agreement executed by Development Co., Service Co. and the Association and recorded in the office of the County Recorder of San Bernardino County, California.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first hereinabove written.

LAKE ARROWHEAD DEVELOPMENT CO.

(SEAL)

By: A. M. POWELL, Vice-President

And: E. C. MOWER, Secretary
"Development Co."

ARROWHEAD MUTUAL SERVICE CO.

(SEAL)

By: A. M. POWELL, Vice-President

And: E. C. MOWER, Secretary
"Service Co."
"DEFENDANTS"

ARROWHEAD WOODS PROPERTY
OWNERS ASSOCIATION

(SEAL)

By: ORRIN W. FOX, President

And: WILLA HODGES, Secretary
"Association"

SIDNEY B. BISNO

(Sidney B. Bisno)

JUNE B. BISNO

(June B. Bisno)

JOHN CHRISTOPH MOELLER, JR.

(John Christoph Moeller, Jr.)

ELIZABETH YVONNE MOELLER

(Elizabeth Yvonne Moeller)

LOUIS E. PURMORT

(Louis E. Purmort)

"PLAINTIFFS"

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 1, 1964, before me, the undersigned, a Notary Public in and for the said County and State, personally appeared A. M. POWELL, known to me to be the Vice-President, and E. C. MOWER, known to me to be the Secretary of LAKE ARROWHEAD DEVELOPMENT CO., the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and Official Seal.

FLORENCE G. SMITH
Notary Public in and for said
County and State

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 1, 1964, before me, the undersigned, a Notary Public in and for the said County and State, personally appeared A. M. POWELL, known to me to be the Vice-President, and E. C. MOWER, known to me to be the Secretary of ARROWHEAD MUTUAL SERVICE CO., the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and Official Seal.

FLORENCE G. SMITH
Notary Public in and for said
County and State

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 14, 1964, before me, the undersigned, a Notary Public in and for the said County and State, personally appeared ORRIN W. FOX, known to me to be the President of the ARROWHEAD WOODS PROPERTY OWNERS ASSOCIATION, the Corporation that executed the within instrument, known to me to be the persons who executed the within Instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and Official Seal.

J. C. DEMEL
Notary Public in and for said
County and State

STATE OF CALIFORNIA }
County of San Bernardino } ss.

On October 13, 1964, before me, the undersigned, a Notary Public in and for the said County and State, personally appeared known to me to be the President, and WILLA HODGES, known to me to be the Secretary of ARROWHEAD WOODS PROPERTY OWNERS ASSN. the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the within Instrument, pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and Official Seal.

MARGARET FITZPATRICK
Notary Public in and for said
County and State
My Commission Expires 9-3-67

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 21, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared SIDNEY B. BISNO, known to me, to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

WITNESS my hand and Official Seal.

ROBERT W. STEWART
Notary Public in and for said State
My Commission Expires 2-5-66.

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 21, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared JUNE B. BISNO, known to me, to be the person whose name is subscribed to the within Instrument, and acknowledged to me that she executed the same.

WITNESS my hand and Official Seal.

ROBERT W. STEWART
Notary Public in and for said State
My Commission Expires 2-5-66.

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 26, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared JOHN CHRISTOPH MOELLER, JR., known to me, to be the person whose name is subscribed to the within Instrument, and acknowledged to me that he executed the same.

WITNESS my hand and Official Seal.

EVELYN DAHL
Notary Public in and for said State
My Commission Expires 12-23-67.

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 26, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared ELIZABETH YVONNE MOELLER, known to me, to be the person whose name is subscribed to the within instrument, and acknowledged to me that she executed the same.

WITNESS my hand and Official Seal.

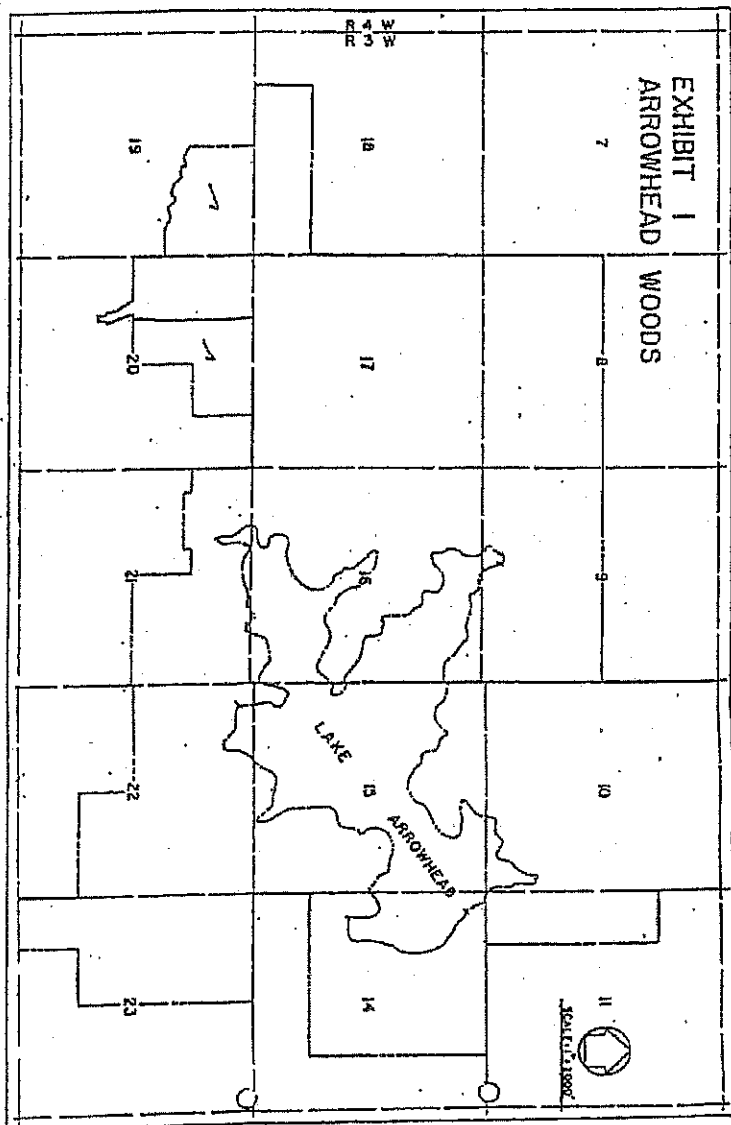
EVELYN DAHL
Notary Public in and for said State
My Commission Expires 12-23-67.

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 22, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared LOUIS E. FURMORT, known to me, to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

WITNESS my hand and Official Seal.

KATHERINE R. McMAHON
Notary Public in and for said State
My Commission Expires 6-12-68.



RESERVE STRIP AND RESERVE STRIP
ADDITION DEEDS

(References are to Books and Pages of Official Records in the Office of the County Recorder of San Bernardino County, California).

<u>Relating to Tract</u>	<u>Deed Recorded</u>	<u>In Book</u>	<u>At Page</u>
5	April 19, 1932	796	279
6	April 19, 1932	810	217
7	April 19, 1932	810	222
50	April 19, 1932	798	150
51	April 19, 1932	798	155
55	April 19, 1932	811	86
71	April 19, 1932	811	93
2499	April 4, 1936	1129	292
2481			
15	Oct. 21, 1937	1241	21
2487			
2283	Jan. 13, 1938	1252	194
74			
2486			
2283	Jan. 13, 1938	1251	208
75			
56	Nov. 4, 1938	1300	395
77	Dec. 14, 1938	1307	147

RESERVE STRIP ADDITION DEEDS

55	Nov. 18, 1938	1319	11
6	Nov. 18, 1938	1309	343
7	Nov. 18, 1938	1305	469
56	Nov. 18, 1938	1319	17
74	Nov. 18, 1938	1317	179
71	Nov. 18, 1938	1308	412
50	Nov. 18, 1938	1318	31
15	Nov. 18, 1938	1312	153
5	Nov. 18, 1938	1308	420
11 & 12	Nov. 18, 1938	1317	195
75	Nov. 18, 1938	1305	484
51	Nov. 18, 1938	1309	348
77	Dec. 21, 1938	1323	132

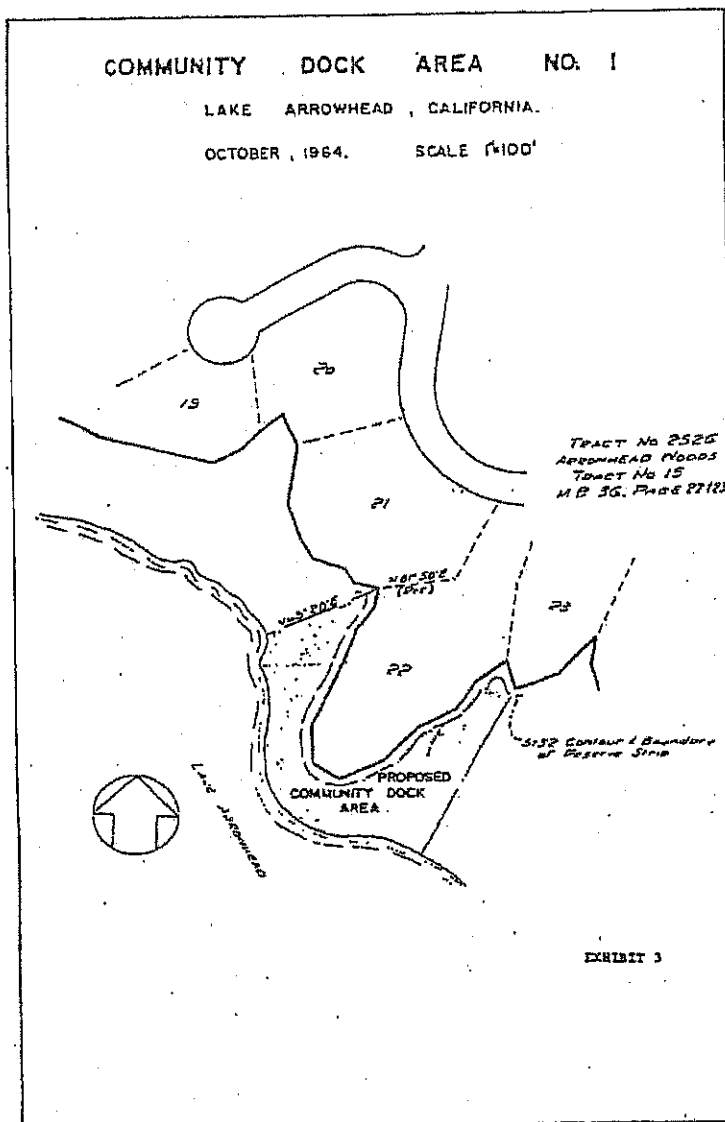
DESCRIPTION OF PENINSULA

That certain real property in the County of San Bernardino, State of California, described as follows:

All that portion of Sections 15 and 16, Township 2 North, Range 3 West, SAN BERNARDINO BASE AND MERIDIAN, according to United States Government Survey, lying Easterly of the following described lines and the Northerly projection of the Northernmost course of said lines, viz:

BEGINNING at the most Northwesterly corner of that certain Private Beach Lease Area as the same is shown upon the Map of Tract No. 6189, Hamiltair, Lake Arrowhead, as per plat recorded in Book 80, Pages 26 to 30 of Maps, records of San Bernardino County, California; thence Southerly along those several courses which form the Westerly boundary of said Tract No. 6189, to the Southwest corner of said Tract No. 6189; thence leaving said Westerly boundary, Southeasterly a distance of 1,000 feet more or less, to the most Westerly point reached by the body of water known as "Lake Arrowhead" in that certain bay thereof known as "Meadow Bay", when the surface of said lake is at an elevation of 5,100 feet above sea level as hereinafter defined.

EXCEPTING therefrom any portion of said Sections which would be covered with water impounded by a certain dam constructed across and in Little Bear Creek, so-called, in the Northwest quarter of Section 14, Township 2 North, Range 3 West, known as Lake Arrowhead, if the surface of said water were at an elevation of 5,100 feet above sea level, the term "sea level" designating that certain datum plane or point 5,152.62 feet vertically below the level of that certain bench mark which is the top of a 1-inch pipe set vertically in a concrete wall, and located 1,123.06 feet North 78° 27' 14" East from the Quarter corner between Sections 10 and 15 in Township 2 North, Range 3 West, S. B. B. & M.



COMMUNITY DOCK AREA NO. 2

LAKE ARROWHEAD, CALIFORNIA.

OCTOBER, 1964.

SCALE 1"=100'

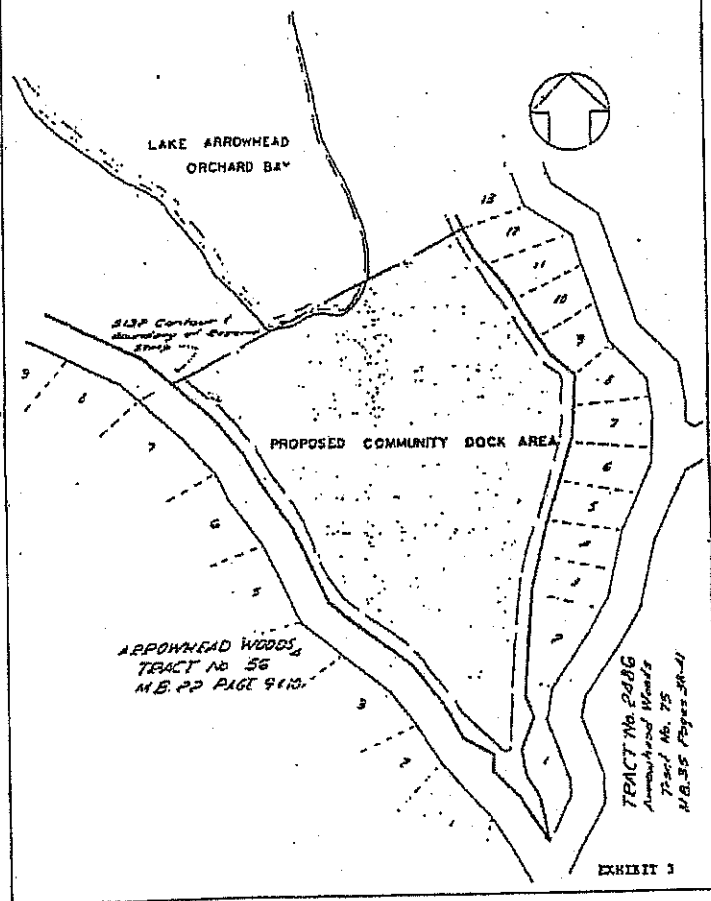


EXHIBIT 3

COMMUNITY DOCK AREA NO. 3

LAKE ARROWHEAD, CALIFORNIA.

OCTOBER, 1964. SCALE 1"=100'

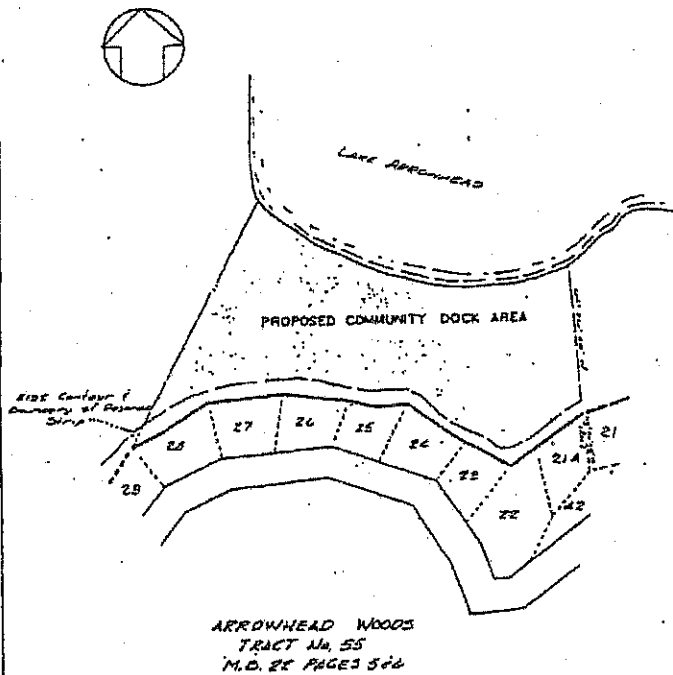
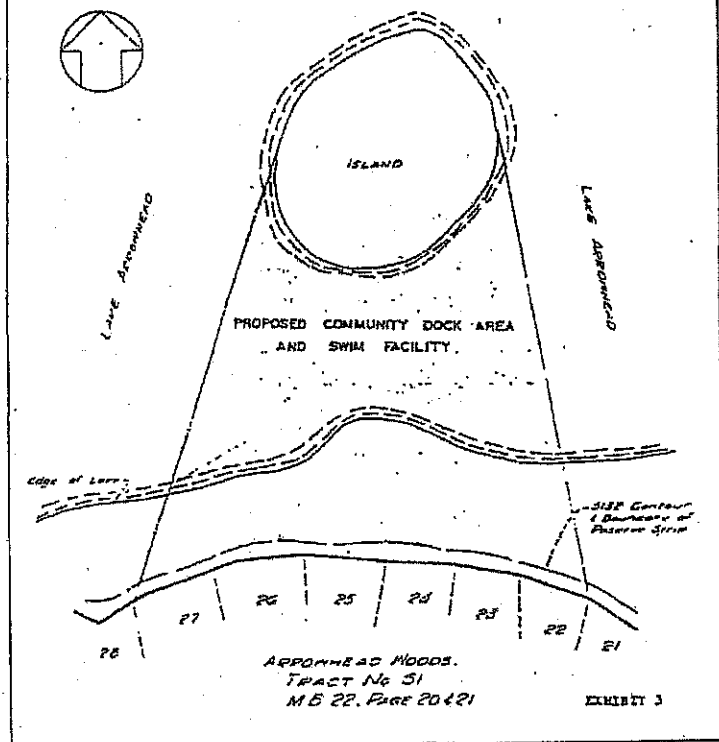


EXHIBIT 3

COMMUNITY DOCK AREA NO. 4

LAKE ARROWHEAD, CALIFORNIA.

OCTOBER, 1964. SCALE 1"=100'



IP 17, 20
PP 20-71
AGREEMENT FOR THE PURCHASE AND SALE
OF ASSETS OF ARROWHEAD UTILITY COMPANY

5/31/78
705

*File Lake Arrowhead
Country Club*

THIS AGREEMENT, made as of the 9th day of June, 1978, by and between ARROWHEAD UTILITY COMPANY, a California corporation ("Seller"), and LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT, a community services district formed pursuant to Government Code Section 61100 et. seq. ("Buyer"), is as follows:

RECITALS:

A. Seller is the owner of the "Included Assets" as that term is defined in Paragraph 1.1 below. The Included Assets constitute all or substantially all of Seller's facilities used or useful in its public utility operations.

B. Buyer desires to purchase the Included Assets on the terms and conditions set forth below, and Seller is willing to sell the Included Assets to Buyer on the terms and conditions set forth below.

C. Seller will cease public utility operations upon the transfer of the Included Assets to Buyer.

TERMS AND CONDITIONS

1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

1.1 Included Assets. The term "Included Assets" includes and means each and every of the following assets other

than such of the same which are described as Excluded Assets, as that term is defined in Paragraph 1.2 below.

(a) Real Property. All of the real property (the "Real Property") described in Exhibit "1" attached hereto and made a part hereof.

(b) Easements. All of the easements and rights (the "Easements") described in Exhibit "2" attached hereto and made a part hereof.

(c) Water Works Facilities. All wells, reservoirs, pumps, pipes, service connections, meters and hydrants, water treatment plant and other utility plants incorporated in Seller's water system as set forth in Seller's Annual Report to the California Public Utilities Commission (hereinafter referred to as the "Commission") as of December 31, 1977, as set forth in Exhibit "3" attached hereto and made a part hereof.

(d) Construction Work in Progress. The construction work in progress which is classified as such on the date hereof or on the Closing Date (as hereinafter defined) and which is owned by Seller on the Closing Date and the cost of which is recorded (or the cost of which Seller is obligated to record) in the books of account required to be maintained by Seller.

(e) Personal Property. The personal property described in Exhibit "4" attached hereto and made a part hereof (the "Personal Property"), and all materials and supplies used by Seller in the operation of the Included Assets.

(f) Permits. All permits, licenses, franchises, certificates of public convenience and necessity, and similar rights and privileges that are a part of or necessary to

the use of the Included Assets and are claimed or owned by Seller on the Closing Date.

(g) Books and Records. All deeds, books, maps and records of Seller relating to the operation or ownership of the Included Assets which are kept and maintained by Seller at its office in Lake Arrowhead.

(h) Included Contracts. All Seller's right, title and interest in and to all contracts and agreements listed in Exhibit "5" attached hereto and made a part hereof and all other contracts of Seller, written or oral, hereinafter entered into by Seller in the ordinary course of Seller's business, involving the obligation of Seller to provide goods or services, including water, or to install facilities or equipment, or including the installation of facilities or equipment, or the obtaining of materials or supplies, all of which are herein collectively called "Included Contracts".

(i) Accounts Receivable. All accounts receivable of Seller as of the Closing Date for water delivered by Seller to its customers.

(j) Customer Deposits. All Cash Deposits held by Seller as of the Closing Date which constitutes customer deposits which are returnable to customers according to the Rules and Regulations of the Commission pursuant to which they were obtained.

(k) Undisbursed Construction Advances. All cash held by Seller as of the Closing Date which constitutes construction advances which have not been disbursed or used by Seller and which were delivered to Seller pursuant to Reimbursement Agreements.

(1) Permitted Additions. All "Permitted Additions", as that term is defined in Paragraph 1.4 below.

1.2 Excluded Assets. The term "Excluded Assets" means and includes only the following:

(a) Cash. The cash owned by Seller on the Closing Date other than the cash described in subparagraphs 1.1(j) and 1.1(k) above.

(b) Minute Books, etc. Seller's corporate minute book, capital stock records, seal and other corporate records not pertinent to the Included Assets, and such records of Seller's parent or affiliated companies related to Seller which are not kept and maintained at Lake Arrowhead.

(c) Permitted Dispositions. Any assets which have been disposed of as a "Permitted Disposition" as that term is defined in Paragraph 1.3 below.

(d) Golf Course Supply System. The property which is used for the rendering of water service to the golf course known as Lake Arrowhead Country Club, including, but not limited to, the submersible pumps in Grass Valley Lake.

1.3 Permitted Dispositions. The term "Permitted Disposition(s)" means the disposition by means other than sale, of any assets in the ordinary course of business of Seller between December 31, 1977 and the Closing Date.

1.4 Permitted Addition(s). The term "Permitted Addition(s)" means all additions, replacements, or substitutions during the period between December 31, 1977 and the Closing Date of rights, assets or other properties of a category of Included Assets made by Seller in the ordinary course of business.

Boh.
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1.5 Purchase Price Change. The term "Purchase Price Change" means the increase or ^{decrease (exclusive of decrease resulting from depreciation)} decrease, as the case may be, in the aggregate value of all the assets of Seller of a category of Included Assets as of December 31, 1977, other than Accounts Receivable, during the period commencing January 1, 1978, and ending on the day preceding the Closing Date, as reflected by the books and records of Seller, determined in accordance with the Uniform Systems of Accounts prescribed by the Commission for Class A Water Utilities and, in any case in which such Systems of Accounts is silent, then in accordance with generally accepted accounting principles.

2. Sale and Purchase of Included Assets.

2.1 Agreement to Sell and Purchase. On and subject to all the terms and conditions hereof, Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, as of the Closing Date, the Included Assets.

2.2 Purchase Price. The purchase price for the Included Assets shall be the sum of Three Million Eight Hundred Ninety-Five Thousand Dollars (\$3,895,000.00) plus or minus, as the case may be, an amount equal to Purchase Price Change, and plus an amount equal to ninety percent (90%) of the "Agreed Accounts Receivable Amount" (as that term is defined and determined in accordance with Section 3 below). The purchase price shall be paid and determined in accordance with the following procedure:

(a) Ten (10) days prior to the Closing Date, Seller shall deliver to Buyer a Statement of Estimated Purchase Price which shall set forth separately Seller's estimate of Purchase Price Change and Seller's estimate of the Agreed

Accounts Receivable Amount. The amount of the Estimated Purchase Price set forth in the Statement of Estimated Purchase Price shall be paid by Buyer to Seller on the Closing Date.

(b) Within thirty (30) days following the Closing Date, Seller shall deliver to Buyer, Seller's Statement of Purchase Price setting forth Seller's determination of Purchase Price Change and accompanied by such data and documentation as shall be reasonably necessary for Buyer to evaluate the correctness of Seller's determination of Purchase Price Change. The Statement of Purchase Price shall be accompanied by the amount, if any, due Buyer by reason of the difference, if any, between the Purchase Price Change set forth in Seller's estimate of Purchase Price Change and the Purchase Price Change set forth in the Statement of Purchase Price. The amount, if any, due from Buyer to Seller by reason of the difference between the estimated Purchase Price Change and the Purchase Price Change set forth in the Statement of Purchase Price shall be paid by Buyer to Seller as soon as possible, but within five (5) days to thirty (30) days following delivery to Buyer of the Statement of Purchase Price.

(c) The Statement of Purchase Price shall be conclusive upon Buyer unless Buyer shall object to the Statement of Purchase Price within ninety (90) days after delivery thereof to Buyer, which objection shall specify in detail the nature of Buyer's objection and the amount which Buyer contends constitutes Purchase Price Change. Should Buyer make any such objection to the Statement of Purchase Price, the parties shall attempt to resolve said differences. If the parties are not able to resolve said differences within ninety (90) days following any objection by Buyer, then such differences shall be submitted to arbitration

in accordance with the rules and procedures of the American Arbitration Association. The "prevailing party" in such arbitration shall be entitled to an award of reasonable attorneys' fees in addition to all other costs and relief. For the purposes of this subparagraph, the term "prevailing party" means that party whose computation of the amount of Purchase Price Change is closest to the amount of Purchase Price Change determined in such arbitration. The amount due Seller or Buyer, as the case may be, by reason of such agreed or determination by arbitration of Purchase Price Change shall be paid within thirty (30) days following such determination.

3. Accounts Receivable. Buyer is aware that Seller's bills for water delivered to its customers go out every two months and cover approximately the previous 60-day period. Seller and Buyer shall attempt to agree on a projection of Accounts Receivable as of the Closing Date, which projection shall constitute the Agreed Accounts Receivable Amount for purposes of computing the purchase price for the Included Assets due on the Closing Date. If agreement is not reached on a projection, then (i) the amount to be included in the purchase price payable to Seller on the Closing Date shall be ninety per cent (90%) of Seller's projection, (ii) the Agreed Accounts Receivable Amount shall be determined by a reading of one-half of the meters in Seller's service area prior to the Closing Date and a reading of one-half of the meters in Seller's service area after the Closing Date, and (iii) the difference due Seller or Buyer, as the case may be, as a result of the difference between the amount paid pursuant to clause (i) above, and the Agreed Accounts Receivable Amount determined as a

result of the meter readings shall be paid within seven (7) days following such determination as a result of the meter readings.

4. Commission Application. Within fifteen (15) days of the date hereof, Seller and Buyer shall jointly execute and file with the Commission an application for approval of the transfer contemplated by this Agreement in such form as may be mutually agreed upon by the parties (hereinafter referred to as the "Application"), unless such Application is not required by reason of Section 853 of the Public Utilities Code. Each party will cooperate fully in making such presentation to the Commission as may be reasonably requested by counsel of either Buyer or Seller. Each party shall pay its own counsel and expenses in connection with the Application.

5. Conduct of Business. Between the date of this Agreement and the Closing Date, Seller will not, without the prior written consent of Buyer, which consent shall not be unreasonably withheld, enter into any material transaction other than in the ordinary course of business. Installation of such services on existing pipelines, and such changes, additions, improvements, major repairs, extensions, or retirements in, to or of its water system or operating properties as in the opinion of Seller may be necessary (i) to comply with any order of the Commission, or (ii) maintain or furnish adequate water service to new or existing customers of Seller, shall be deemed to be transactions in the ordinary course of business; provided, however, that all work involved shall be done in accordance with customary public utility water system practice, and provided further, that Seller shall notify Buyer of all work involved in (ii) above if the cost

of said work exceeds \$2,000.00 per installation. Prior to the Closing Date Seller shall not enter into any new reimbursement agreements unless required to do so by law or by regulations applicable to Seller.

6. Closing.

6.1 Closing Date. As used herein, the term "Closing Date" means the date the deed from Seller to Buyer of the Real Property is recorded. The Closing Date shall occur on a date designated by Buyer upon not less than three (3) business days' notice to Seller. In no event shall the Closing Date be later than September 1, 1978. Notwithstanding anything herein contained to the contrary, should (i) the special bond election not be held by June 6, 1978, or (ii) should the proposal to issue revenue bonds be defeated at a bond election held on or before June 6, 1978, then in either case either party may forthwith terminate this Agreement.

6.2 Assistance of Title Company. Title to the Real Property shall be conveyed to Buyer on the Closing Date by a grant deed in form and substance identical to Exhibit ("6") attached hereto and made a part hereof (the "Grant Deed"). Title to the Easements shall be conveyed to Buyer on the Closing Date by Quitclaim Deed. The Deed and Quitclaim Deed are herein collectively called the "Deeds". The Closing shall be accomplished with the assistance of Title Insurance and Trust Company in San Bernardino, California ("Title Company"). At least one business day prior to the Closing Date Seller shall deliver to Title Company the Deeds. Concurrently with such delivery Seller and Buyer shall deliver to Title Company their instructions that Title Company is instructed

to record the Deeds on the Closing Date provided that Title Company shall have received the telephonic advice of Seller, Buyer and the Fiscal Agent for the bonds referred to in subparagraph 10(d) below (the "Fiscal Agent"), and provided that Title Company is then in a position to issue its owner's standard coverage CLTA policy of title insurance (the "Title Policy") in the amount of Seller's estimate of the purchase price of the Included Assets as set forth in the Statement of Purchase Price delivered to Buyer pursuant to subparagraph 2.2(a) insuring title to the Real Property vested in Buyer subject only to (i) non-delinquent real property taxes and assessments on the Real Property, and (ii) all conditions, exceptions and other matters affecting title to the Real Property shown in that certain Preliminary Title Report attached hereto as Exhibit "8" and made a part hereof. Said instructions to Title Company also shall provide that the parties agree to furnish Title Company with sufficient funds to enable Title Company to comply with said instructions in accordance with the following:

(1) Seller shall pay the documentary stamps and recording fees for recording the Deeds, the premium for the Title Policy, and one-half of all other costs, if any, of Title Company in complying with said instructions.

(2) Buyer shall pay one-half of all costs of Title Company, if any, in complying with said instructions (other than the premium for the Title Policy and documentary stamps and recording fees for recording the Deeds).

6.3 Closing Conference. The Closing shall take place at a closing conference (the "Closing Conference") to be held on the Closing Date at the hour of 10:00 o'clock A.M.

local time at the offices of Cox, Castle & Nicholson, 2049 Century Park East, Los Angeles, California. Seller and Buyer each shall be represented at the Closing Conference. Provided the Fiscal Agent has received the purchase price of the sale of the bonds, referred to in subparagraph 10(d) below, the procedure to be followed by the parties at the Closing Conference shall be as follows:

(a) Seller shall deliver to Buyer a Bill of Sale in form and substance identified as Exhibit "7" attached hereto and made a part hereof (the "Bill of Sale").

(b) Buyer shall deliver to Seller's counsel, Cprox, Castle & Nicholson, in trust, a cashier's check or Buyer's certified check in the amount called for by subparagraph 2.2(a) above, to be held for delivery to Seller when Title Company shall have recorded the Deeds.

(c) Seller shall deliver to Buyer its check in the amount constituting Customer Deposits and Undisbursed Advances as described in subparagraphs 1.1(j) and 1.1(k) above as of the Closing Date. Seller also shall deliver to Buyer its check in the amount called for by Paragraph 9.1.

(d) Seller and Buyer shall deliver to each other certified resolutions of their respective Boards of Directors ratifying this Agreement and authorizing the purchase and sale provided for herein and execution of all documents called for herein.

(e) Following the foregoing deliveries, Seller, Buyer and the Fiscal Agent shall instruct Title Company to carry out the Instructions delivered to Title Company concurrently with the Deeds. Upon the carrying out by Title Company

of said Instructions, the deliveries made pursuant to the provisions of this Paragraph 6.3 shall be deemed effective.

7. Prorations. Real property taxes and assessments on the Real Property shall be prorated as of the Closing Date and shall be paid in cash to the party entitled thereto at the Closing based on the most recent official information (a) applicable to the fiscal year in which the Closing Date occurs, and (b) obtainable in the office of the particular taxing authority.

8. Assignment and Assumption of Contracts and Obligations. At the Closing, Seller shall be deemed to have assigned to Buyer, without execution of any additional documents, each and every Included Contract, and Buyer agrees to assume, and at the Closing, Buyer shall be deemed to have assumed, without execution of any additional documents, the obligations of Seller pursuant to or by means of each and every Included Contract, including, but not limited to, the obligations to make all refunds or reimbursements provided for thereunder. All main extension agreements between Seller and Boise Cascade Home & Land Corporation shall be cancelled on the Closing Date and Buyer shall have no obligation to make any refunds or reimbursements on account of any such main extension agreements between Seller and Boise Cascade Home & Land Corporation.

9. Seller's Employees.

9.1. Accrued Vacation Rights of Seller's Employees.

At the Closing Conference, Seller shall deliver to Buyer a schedule ("Vacation Schedule" herein) setting forth the following information:

(a) The names of each person employed by Seller as of the Closing Date and whose employment by Seller was terminated on the Closing Date ("Terminated Employees" herein).

(b) With respect to each Terminated Employee, the number of days, if any, of vacation which, as of the Closing Date, such Terminated Employee would have been entitled to receive after the Closing Date ("Accrued Vacation" herein).

(c) The number of dollars, if any, which each Terminated Employee is, as the result of the termination of such employee's employment by Seller, entitled to receive from Seller in lieu of Accrued Vacation ("Accrued Vacation Pay" herein).

Seller also shall deliver to Buyer at the Closing Conference Seller's check in the amount of the aggregate Accrued Vacation Pay of all Terminated Employees. Buyer hereby agrees to hold and disburse such funds as hereinafter set forth in this paragraph 9.1. Attached hereto, as Exhibit "9" and made a part hereof is a form of Notice which Seller agrees to deliver or cause to be delivered within five (5) days following the Closing Date to each Terminated Employee entitled to Accrued Vacation or Accrued Vacation Pay. Buyer agrees to disburse, on behalf of Seller, to each Terminated Employee who shall elect to receive Accrued Vacation Pay (or who shall, prior to fifteen (15) days following the Closing Date, be deemed to have elected to receive Accrued Vacation Pay), the amount of Accrued Vacation Pay set forth opposite such Terminated Employee's name on the Vacation Schedule, such disbursement to be made promptly after any such

election is made (or deemed to have been made). Seller agrees that any portion of the funds delivered to Buyer pursuant to the provisions of this Paragraph 9.1 not required to be disbursed to Terminated Employees in accordance with the provisions of the immediately preceding sentence may be retained by Buyer as Buyer's property. As used herein, the term "Electing Employee" means each of those Terminated Employees who shall elect to receive Accrued Vacation in lieu of Accrued Vacation Pay. Buyer agrees to afford to each Electing Employee, during the calendar year 1978, that number of days vacation equal to that number of days of Accrued Vacation set forth opposite his name on the Vacation Schedule. Buyer further agrees to pay to any Electing Employee whose employment with Buyer shall be terminated in 1978 the amount of Accrued Vacation Pay which he would have received had he not elected to receive Accrued Vacation in lieu thereof, less appropriate reduction based for any vacation actually received from Buyer by such Terminated Employee during the calendar year 1978. On or before 30 days following the Closing Date, Buyer shall deliver to Seller a complete accounting with respect to the funds delivered to Buyer pursuant to the provisions of this paragraph 9.1 together with a duplicate original of the election, if any, made by any Terminated Employee.

9.2 Severance Pay. Within twelve (12) months following the Closing Date, Buyer shall not employ any employee of Seller whose employment is terminated on or prior to the Closing Date and who is not transferred to the employment of Buyer on the Closing Date unless Buyer promptly, upon employment

of such employee, reimburses Seller for any and all severance costs incurred by Seller in connection with such employee.

10. Buyer's Obligation to Close. The obligation of Buyer to close the transaction herein contemplated on the Closing Date is subject to the satisfaction on or before the Closing Date of the following conditions, compliance with which or the occurrence of which may be waived in whole or in part by Buyer in writing:

(a) Seller shall have performed and satisfied all covenants and conditions required by this Agreement to be performed and satisfied by it at or prior to the Closing Date.

(b) Title Company shall be willing to issue the Title Policy called for by Subparagraph 6.3(F) hereof.

(c) The representation of Seller set forth in paragraph 16.1 shall be true and correct.

(d) Pursuant to a special bond election, Buyer shall have been authorized to issue revenue bonds in an amount sufficient to enable Buyer to purchase the Included Assets as provided in this Agreement, and shall have issued and delivered such bonds.

11. Seller's Obligation to Close. The obligation of Seller to close the transaction herein contemplated on the Closing Date is subject to the satisfaction on or before the Closing Date of the following conditions, compliance with which or the occurrence of which may be waived in whole or in part by Seller in writing:

(a) Buyer shall have performed and satisfied all covenants and conditions required by this Agreement to be performed and satisfied by it at or prior to the Closing Date.

(b) The representation of Buyer set forth in Section 15 shall be true and correct.

(c) Buyer shall have delivered to Seller an opinion of Buyer's counsel that (i) Buyer has been formed in accordance with applicable laws and regulations, (ii) Buyer has full and requisite power to acquire and operate the Included Assets and to perform its obligations under this Agreement, and (iii) Buyer's performance has been duly authorized by all requisite action on the part of Buyer.

12. Commission Order. As a condition precedent to the obligation of each of Seller and Buyer to close this transaction, the Commission shall have issued such order as in the opinion of counsel for Seller and Buyer is required by law to authorize the sale of the Included Assets to Buyer as contemplated herein, unless such order is not required by reason of Section 853 of the Public Utilities Code. If such order or orders of the Commission require the performance of acts or the assumption of obligations, monetary or otherwise, materially different from those contemplated by this Agreement and by the Application, then the party hereto adversely affected by such order or orders may elect to terminate this Agreement. If, after the date hereof, and prior to the Closing Date, any order of the Commission directed to either of the parties shall materially and adversely affect the consideration to be received by such party under this Agreement, then the party so affected may terminate this Agreement.

13. Indemnification of Buyer.

13.1 Agreement to Indemnify. Subject to the provisions of paragraph 13.2, Seller agrees to hold Buyer harmless

from and indemnify Buyer against any and all liability, loss, damage, cost or expense to Buyer, including reasonable attorneys' fees, occasioned by or resulting from (i) any breach or default by Seller of any covenant, representation or agreement of Seller contained herein, or (ii) any liability to third parties by reason of any breach by Seller of any contract not assumed by Buyer pursuant to the terms and conditions of this Agreement.

13.2 Indemnity Procedure. Buyer shall submit any claim for indemnification under this Agreement to Seller in writing within a reasonable time after Buyer determines that an event has occurred which has given rise to a right of indemnification; provided, however, that the right of indemnification of Buyer under this Agreement shall not be affected by any delay in the giving of such notice unless by reason of such delay, Seller's ability to discover or verify the facts relating to such claim for indemnification is significantly hampered. If such claims for indemnification relate to a claim or demand presented in writing by a third party against Buyer, Seller shall have the right to employ counsel to defend any such claim or demand (which counsel shall be reasonably satisfactory to Buyer) and Buyer shall cooperate and may participate in the defenses of any such claim and shall make available to Seller, or its representatives, all records and other materials in its possession or under its control reasonably required by Seller for its use in contesting any such liability. If Seller does not elect to defend any such claim or demand, Buyer may do so at its option, but shall not have any obligation to do so.

14. Indemnification of Seller.

14.1 Agreement to Indemnify. Subject to the provisions of paragraph 14.2, Buyer agrees to hold Seller harmless from and indemnify Seller against any and all liability, loss, damage, cost or expense to Seller, including reasonable attorneys' fees, occasioned by or resulting from (i) any breach or default by Buyer of any covenant, representation or agreement of Buyer contained herein, (ii) the failure of Buyer to perform any agreement or obligation of Seller assumed by Buyer pursuant to this Agreement, or (iii) the use of the water rights described in Exhibit "2" hereof to serve or supply water outside the presently existing boundaries of Buyer.

14.2 Indemnity Procedure. Seller shall submit any claim for indemnification under this Agreement to Buyer in writing within a reasonable time after Seller determines that an event has occurred which has given rise to a right of indemnification; provided, however, that the right of indemnification of Seller under this Agreement shall not be affected by any delay in the giving of such notice unless by reason of such delay, Buyer's ability to discover or verify the facts relating to such claim for indemnification is significantly hampered. If such claims for indemnification relate to a claim or demand presented in writing by a third party against Seller, Buyer shall have the right to employ counsel to defend any such claim or demand (which counsel shall be reasonably satisfactory to Seller) and Seller shall cooperate and may participate in the defenses of any such claim and shall make available to Buyer, or its representative, all records and other materials in its possession or under its control reasonably required by Buyer for its use in contesting any

such liability. If Buyer does not elect to defend any such claim or demand, Seller may do so at its option, but shall not have any obligation to do so.

15. Buyer's Warranties. Buyer represents and warrants to Seller that Buyer has not employed any real estate broker, finder or agent and has not agreed to pay or otherwise incur any real estate brokerage fee, finder's fee or commission with respect to this transaction.

16. Seller's Warranties.

16.1 No Broker. Seller represents and warrants to Buyer that Seller has not employed any real estate broker, finder or agent and has not agreed to pay or otherwise incur any real estate brokerage fee, finder's fee or commission with respect to this transaction.

16.2 Absence of Other Warranties of Seller.

Except as provided in Paragraph 16.1 above, Seller makes no representation of warranty respecting the Included Assets or any portion thereof, or otherwise in connection with this transaction. Without limiting the generality of the foregoing, Buyer acknowledges and agrees that:

(a) Buyer has requested from Seller, and Seller has furnished to Buyer, all instruments, records and documents which Buyer deemed appropriate or advisable to review in connection with this transaction, and Buyer has reviewed the same and has determined that the same and the information and data contained therein and evidenced thereby are satisfactory to Buyer.

(b) Buyer has made its own independent investigation respecting the Included Assets and each portion

thereof, and all other aspects of this transaction and is relying entirely thereon and on the advice of its consultants in entering into this Agreement.

(c) All Included Assets are purchased "as is".

(d) Seller has advised Buyer that the list of water works facilities contained in Exhibit "3" was not prepared from current records and that Seller has made no inspection or investigation of these facilities. Seller has made no representation or warranty as to or concerning the existence, location or condition of such water works facilities.

(e) Seller has made no representation or warranty as to or concerning the contents or accuracy of any pro forma schedule, statement or projection which may have been furnished to Buyer, and Buyer shall have no claim against Seller by reason of or based on any such pro forma schedule, statement or projection.

(f) Sellers have made no representation respecting the rights of downstream riparian owners with respect to water now or hereafter impounded in Lake Arrowhead and Buyer is aware that such downstream riparian owners may have certain rights with respect to such water.

17. Agreement to Render Water Service. Without limiting the generality of Section 16, above, Buyer will render water service to all existing customers being lawfully served by Seller within the service area of Seller as delineated in the Certificate of Convenience and Necessity granted by the Commission and to the two existing areas shown on the map attached hereto as Exhibit "10" and made a part hereof presently being served by Seller

outside of its certificated area and the required sale of water to Arrowhead Manor Water Company as approved by the Commission in Decision No. 67047 dated April 7, 1964 in accordance with that certain "IRREVOCABLE AGREEMENT" dated December 9, 1963 by and between Lake Arrowhead Development Co. and Arrowhead Manor Water Co., a copy of which is attached hereto as Exhibit "11" and made a part hereof. Buyer agrees that it shall not charge Arrowhead Manor Water Co. or Boise Cascade Home & Land Corporation (successor to Lake Arrowhead Development Co.), its successors and assigns, for any water required to be delivered to Arrowhead Manor Water Co. pursuant to said IRREVOCABLE AGREEMENT.

18. Effect of Termination. In the event this Agreement is terminated pursuant to the provisions of Paragraph 6.1 or Section 12 hereof, then neither party shall have any obligation or liability to the other pursuant to or by reason of this Agreement.

19. Possession. Buyer shall be entitled to possession of the Included Assets when the Deed records. During the term of this Agreement and prior to the time when Buyer is entitled to possession, Buyer, its agents and independent contractors, shall be entitled to enter upon the Real Property to the extent necessary for the purpose of planning its operations and carrying out the intent of this Agreement, Buyer shall repair all damage to the Included Assets and shall indemnify Seller from all costs and expenses resulting from Buyer's activities under this Section.

20. Rates for Irrigation of Lake Arrowhead Country Club. Buyer has been informed and is aware that Seller currently charges the owner of the Lake Arrowhead Country Club an amount (the "Per Acre Foot Amount") equal to Seventy Five Dollars (\$75.00) (the

"Existing Country Club Base Rate") for each and every acre foot of water delivered to the meter located at the Bernina Divide Filter Plant for irrigation of Lake Arrowhead Country Club. Buyer has been informed and is aware that Seller currently charges domestic customers Eighteen Dollars and Fifty Cents (\$18.50) (the "Existing Domestic Base Rate") for each of the first one thousand (1,000) cubic feet of water used by such customer during each two (2) month period. Buyer agrees that it will not increase the Per Acre Foot Amount by an amount which would result in the number derived by dividing the Per Acre Foot Amount after such increase by the Existing Country Club Base Rate being greater than the number derived by dividing the then amount to be charged each domestic customer for each of the first one thousand (1,000) cubic feet of water used by such customer during each two (2) month period by the Existing Domestic Base Rate. *What (w) what $\frac{1000}{\$18.50} = 54.05$*

21. Further Assurances. Seller will, whenever and as often as shall be requested by Buyer, and Buyer will, whenever and as often as it shall be requested to do so by Seller, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all such further conveyances, assignments, confirmations, satisfactions, releases, powers of attorney, instruments of further assurance, approvals, consents and any and all such further instruments and documents as may be necessary, expedient or proper, in the opinion of the party requesting the same, in order to complete any and all conveyances, transfers, sales and assignments herein provided and to do any and all other acts and to execute, acknowledge and deliver any and all documents as so requested in order to carry out the intent and purpose of this Agreement.

22. Notices. No notice, request, demand, instruction or other document to be given hereunder to any party shall be effective for any purposes unless personally delivered to the person and at the appropriate address set forth below (in which event such notice shall be deemed effective only upon such delivery) or when delivered by mail, sent by registered or certified mail, return receipt requested, as follows:

If to Seller, to:

Boise Cascade Home & Land Corporation
P.O. Box 28
Palo Alto, California 94302

Attention: Contract Administrator

And to:

Cox, Castle & Nicholson
Two Century Plaza, Twenty-Eighth Floor
2049 Century Park East
Los Angeles, California 90067

Attention: Stephen G. Shapiro, Esq.

If to Buyer, to:

Lake Arrowhead Community Services District
P. O. Box 787
Crestline, California 92325

Attention: President of the Board of Directors

And to:

Clayson, Rothrock & Mann
601 South Main Street
Corona, California 91720

Attention: Ivan Hopkins, Esq.

Notices so mailed shall be deemed to have been given 48 hours after the deposit of same in any United States mail post office box in the state to which the notice is addressed, or 72 hours after deposit of same in any such post office box other than in

the state to which the notice is addressed, postage prepaid, addressed as set forth above, except for those notices with respect to which this Agreement specifically requires actual receipt. Notice shall not be deemed given unless and until under the preceding sentence notice shall be deemed given to all addressees to whom notice must be sent. The addresses and addressees, for the purpose of this paragraph, may be changed by giving written notice of such change in the manner herein provided for giving notice. Unless and until such written notice is received, the last address and addressee stated by written notice, or provided herein if no written notice of change has been sent or received, shall be deemed to continue in effect for all purposes hereunder.

23. Books and Records. For a period of seven (7) years after the Closing Date, all deeds, books, maps and records referred to in subparagraph 1.1(g) above (the "Books and Records") shall be kept and maintained by Buyer in Arrowhead Woods and shall not be removed therefrom without Seller's prior written consent. Seller and its designated agents shall be given access to the Books and Records from time to time and at any time during normal business hours for any reasonable business purpose upon five (5) days notice to Buyer. In the event Buyer no longer wishes to keep and maintain the Books and Records, Buyer shall so notify Seller. Within thirty (30) days after the giving of such notice, Buyer shall turn over possession of the Books and Records to Seller on a date mutually convenient to Buyer and Seller. Buyer shall have access to the Books and Records prior to the Closing Date for all reasonable purposes in connection with this Agreement. For a

period of seven (7) years after the Closing Date, Buyer and its designated agents from time to time and at any time during normal business hours upon five (5) days notice to Buyer shall be given access for any reasonable business purpose to the books and records of Seller's parent and affiliated corporations which are related to Seller's operations which are not kept and maintained at Lake Arrowhead.

24. Miscellaneous Provisions.

24.1 Time. It is agreed that time is of the essence of this Agreement.

24.2 Attorneys' Fees. If legal action be commenced to enforce or to declare the effect of any provisions of this Agreement, the court as part of its judgment shall award reasonable attorneys' fees and costs to the prevailing party.

24.3 No Waiver. The waiver by one party of the performance of any covenant, condition or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition or promise hereunder. The waiver by either or both parties of the time for performing any act shall not constitute a waiver of the time for performing any other act or an identical act required to be performed at a later time. The exercise of any remedy shall not exclude other consistent remedies unless they are expressly excluded.

24.4 Construction. As used in this Agreement, the masculine, feminine or neuter gender and the singular or plural numbers shall each be deemed to include the other whenever the context so indicates. This Agreement shall be construed as a whole and in accordance with its fair meaning, the captions being

for convenience only and not intended to fully describe or define the provisions in the portions of the Agreement to which they pertain.

24.5 Merger. It is agreed that all understandings and agreements heretofore had between the parties respecting this transaction are merged in this Agreement, which fully and completely expresses the agreement of the parties, and that there are no representations, warranties or agreements except as specifically and expressly set forth herein and in the exhibits annexed hereto.

24.6 Amendments. No change in or addition to this Agreement or any part hereof shall be valid unless in writing and signed by or on behalf of the party charged therewith.

24.7 Survival of Representations and Warranties. All covenants and agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the Closing hereunder and all deliveries contemplated herein.

24.8 Counterparts. This Agreement may be executed in any number of counterparts. Each such counterpart hereof shall be deemed to be an original instrument but all such counterparts together shall constitute but one Agreement.

24.9 Computation of Periods. All periods of time referred to in this Agreement shall include all Saturdays, Sundays and state or national holidays, unless the period of time specifies business days, provided that if the date or last date to perform any act or give any notice with respect to this Agreement

shall fall on a Saturday, Sunday or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday or state or national holiday.

24.10 Expenses of Transaction. Except as otherwise expressly provided herein, Seller and Buyer, respectively, shall pay their respective costs and expenses in preparing and performing this Agreement and the transactions contemplated hereby.

24.11 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto, but this Agreement may not be assigned by Buyer without the prior written consent of Seller.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ARROWHEAD UTILITY COMPANY

By [Signature]
Its President

By [Signature]
Its Asst. Sec.

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

By [Signature]
Its President

By [Signature]
Its Secretary

Agreement of Settlement and Compromise

BETWEEN

**ARROWHEAD WOODS PROPERTY OWNERS
ASSOCIATION, ET AL**

AND

LAKE ARROWHEAD DEVELOPMENT CO., ET AL

DATED: AUGUST 27, 1964

**Recorded:
October 29, 1964
Book 6262, Page 1
San Bernardino, California**

ORIGINAL

**LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
AGREEMENT FOR WATER SERVICE AND WELL DRILLING**

THIS AGREEMENT FOR WATER SERVICE AND WELL DRILLING ("Agreement") is entered between the Lake Arrowhead Community Services District, a public agency ("District") and the Lake Arrowhead Country Club, a California non-profit corporation ("Customer").

RECTALS

A. District is a public agency responsible for providing potable water service to approximately 7,500 customers in the area commonly known as Arrowhead Woods and irrigation water service. At this time, Lake Arrowhead is the sole source of water for the customers within Arrowhead Woods.

B. Irrigation water service is currently provided to Customer in accordance with certain agreements, which were entered into by predecessors-in-interest to District. Those agreements include that certain Agreement of Settlement and Compromise, dated August 22, 1964, and that certain Agreement for the Purchase and Sale of Assets of Arrowhead Utility Company, dated June 9, 1978 (both agreements are collectively referred to herein as the "Previous Agreements"). Said irrigation water service is currently provided by the delivery of water into Grass Valley Lake from Lake Arrowhead where it is then taken by Customer for irrigation of its golf course.

C. District is planning and implementing programs to supplement and diversify the sources of water supply for the Lake Arrowhead community. The purpose of this Agreement is to implement District's Cooperative Development And Management Program ("Program") in order to develop a more efficient method of providing irrigation water service to Customer and ensure the reasonable and beneficial use of water resources for all members of the Lake Arrowhead Community.

D. The parties desire to enter into this Agreement in order to: (1) establish a direct contractual arrangement for irrigation water service to be provided to Customer which will supercede any contrary contractual provisions for such service which currently apply to such service; and (2) establish a method for providing irrigation water service that is consistent with the critical need for conservation of water supplies in the Lake Arrowhead Community and for the reasonable and beneficial use of said water supplies; and (3) provide for the District's development and use of groundwater sources on Customer's property for domestic drinking water supplies and service.

**IN CONSIDERATION FOR PERFORMANCE OF THE COVENANTS AND CONDITIONS
SET FORTH HEREIN, THE PARTIES AGREE AS FOLLOWS:**

1. Construction and Installation of District Facilities At its sole cost and expense, District shall design, construct and otherwise install two (2) groundwater production wells and appurtenant facilities ("District Facilities") on certain portions of the real property owned by Customer upon which Customer operates a golf course ("Customer Property"). The Customer Property is more particularly described in Exhibit "A" attached hereto and incorporated herein by

reference. The District Facilities also include, among other things, one or more tanks and pump houses and concrete slabs supporting such facilities. The District Facilities shall also include facilities for production of groundwater and delivery of said water to facilities of Customer ("Customer Facilities") for irrigation of the golf course on the Customer Property including the point of connection between the District Facilities and the Customer Facilities ("Connection Point"). The District Facilities shall also include facilities for conveyance of said groundwater by District from the production wells to facilities of District, which comprise District's overall system ("District System") for the provision of water service to its customers.

(a) Rights of Way Customer shall grant, convey and otherwise transfer to District any and all non-exclusive easements, licenses, rights of entry and any other rights-of-way District reasonably requires in connection with the construction, installation, operation and maintenance of the District Facilities. Any such property interests shall be transferred from Customer to District at no cost or expense. Any such easements, licenses, rights of entry or any other rights-of-way shall terminate at any such time as this Agreement is otherwise terminated.

(b) Description and Location of Facilities and Rights-of-Way A description of the District Facilities, and the rights-of-way which District requires, are more particularly described in Exhibit "B" attached hereto and incorporated herein by reference. Said Exhibit "B" includes Attachments A through D.

(c) Activities In Connection With Construction and Installation of District Facilities District shall be responsible, at its sole cost and expense, for performance of all activities in connection with the design, installation and construction of the District Facilities. Such activities shall include, without limitation, the following tasks:

- (i) Geo-hydrologic investigation and monitoring of groundwater resources.
- (ii) Environmental and regulatory compliance.
- (iii) Well drilling
- (iv) Survey, design, engineering and construction of facilities (wells, pumps, motors, storage and pipeline)
- (v) Operation and maintenance of facilities including the cost of water treatment, if necessary.
- (vi) Groundwater monitoring and reporting, for example, scheduled reporting to Customer and appropriate regulatory agencies of the amounts and quality of groundwater extracted.

(d) Ownership and Control of District Facilities While this Agreement remains in effect, District shall own, control and otherwise retain a non-exclusive right of access on Customer Property in order to operate and maintain all District Facilities. District shall own, operate, repair and maintain all facilities, equipment, material, supplies and any other personal property in connection with the Program and the District Facilities.

(e) Completion of District Facilities District shall provide notice to Customer of the date upon which District completes construction and installation of the District Facilities ("Completion Date"). Customer shall complete the construction and installation of the Customer Facilities on or before the Completion Date. Prior to commencement of irrigation water service to Customer under this Agreement, District shall continue to provide irrigation water service to Customer through the process set forth under the Previous Agreements.

2. Acknowledgment and Establishment of Water Rights

(a) Customer's Water Right Customer hereby represents and warrants that it has a right, under California law, to extract groundwater for reasonable and beneficial use upon the Customer Property, which is deemed to be the overlying land ("Customer Water Right"), for irrigation of the golf course. Nothing in this Agreement shall constitute the transfer of ownership of the Customer Water Right to District.

(b) District Water Right District hereby represents and warrants that according to California law, District is a public agency with the authority to enter into agreements for acquisition of water resources in order to provide water service to its customers and to take certain actions to appropriate, and otherwise secure, the right to water resources. District shall utilize the District Facilities to develop groundwater from Customer Property for use in providing irrigation water service to Customer and also for appropriation and conveyance of such water into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service. As between District and Customer, District shall have the full responsibility and right to take any and all actions to establish an appropriative water right, or any other applicable water right ("District Water Right"), in connection with the appropriation and conveyance of such water off of the Customer Property and into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service.

3. Sale, Purchase and Delivery of Irrigation Water Service

(a) Provision of Irrigation Water Service Beginning on the date which is no later than sixty (60) days after the Completion Date, District shall provide irrigation water service ("Service") to Customer pursuant to the provisions of this Agreement and District's Rules and Regulations for Water and Wastewater Service ("Rules and Regulations"), as said Rules and Regulations may be amended from time to time. In the event of a conflict between the provisions of this Agreement and the provisions of the Rules and Regulations, the provisions of this Agreement shall control. Said Service shall be provided by the production of groundwater from the Customer Property through the District Facilities and then the delivery of said groundwater to

the Customer Facilities at the Connection Point. In the event the production of groundwater is not sufficient to meet: (i) the estimated quantities of water as set forth herein; and/or (ii) the delivery schedules to be developed by the parties, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements. As a result, the groundwater produced from the Customer Property shall be credited, on an annual "bucket-for-bucket" basis, toward the amount that District would otherwise deliver to Customer for such Service through the process set forth under the Previous Agreements.

(b) Estimated Quality and Quantity of Groundwater. The amount and quantity of groundwater which can be produced under the Program through the District Facilities cannot be determined until after District completes the first phase of the Program which involves the construction and installation of "test wells." For informational purposes only, the District estimates that based upon geo-hydrologic studies, the combined production capacity of the District Facilities could perhaps be between 100 to 200 gallons per minute ("gpm") or about 160 to 320 acre feet of water per year. The groundwater produced from the District Facilities shall be used for providing the Service. In the event District is able to produce through the District Facilities an amount of groundwater in excess of the amount necessary for the Service ("Surplus Water"), District shall have the right to utilize such Surplus Water by conveyance to the District System and establishing the applicable District Water Right in connection therewith. Surplus Water may be used by District in its discretion including, without limitation, for domestic drinking water supplies and service to District customers. The parties hereby acknowledge and agree that District's performance of its obligations under this Agreement including, without limitation, the obligation to design, construct and install the District Facilities, shall constitute the total consideration provided by District in exchange for District's establishment, ownership and use of the District Water Right and ownership and use of the Surplus Water.

(i) District's Obligation to Provide Service Through District Facilities. District's obligation to provide the Service through the Program and the District Facilities shall be subject to the availability of groundwater from the Customer Property and the extent to which the applicable District Water Right can be established and secured for the transfer of such Surplus Water off of the Customer Property and into District's System for District's use in providing domestic drinking water supplies and service. In the event District determines that it is no longer possible or feasible to extract groundwater for the purposes contemplated under this Agreement and the Program, including without limitation for domestic water supplies and service, District may terminate the Program and this Agreement as provided for herein. In that event, District will continue to provide the Service pursuant to the process set forth in the Previous Agreements or as otherwise provided under this Agreement. For example, and not by way of limitation, District may determine that it is no longer possible or feasible to extract groundwater pursuant to the Program and this Agreement due to insufficient groundwater supplies, a challenge to the District Water Right, or the exercise of a superior right by another water right holder.

(c) Purchase Price The purchase price to be paid by Customer to District for the Service shall be at the rate ("Rate") provided for under the Previous Agreements. The Rate shall be applied to any water delivered through the process set forth under the Previous Agreements, as well as to groundwater produced from the Customer Property. The total amount of water delivered to Customer will not exceed the amounts and delivery schedule as set forth under the Previous Agreements. The Rate shall be subject to adjustment, from time to time, as provided for under the Previous Agreements and in accordance with the procedures and requirements in the Rules and Regulations.

(d) Metering For purposes of determining the quantities of groundwater which District delivers to Customer for the Service each month, District shall purchase and install, at the Connection Point, and at the expense of District, a meter of adequate size, calibration and volume to accurately measure the quantities of groundwater delivered to Customer for the Service. District shall read such meter at the end of each month/two months. For the applicable monthly/bi-monthly billing period, District shall submit a monthly/bi-monthly bill to Customer, which sets forth the quantity of groundwater, delivered and the quantity of water delivered, if any, through the process under the Previous Agreements. Customer shall have the right to read and/or inspect the meter. District shall have the meter tested from time to time, as determined in its discretion, to determine if it is accurately recording the quantities of groundwater delivered to Customer. If the meter is determined by such a test to be operating inaccurately by approximately five percent (5%) or more of the manufacturer's recommended flow range, District shall have the meter repaired or replaced and the cost of such repair and replacement shall be borne by District.

(e) Billing and Payment District shall bill Customer for the Service in each calendar month pursuant to the payment terms and billing procedure set forth in District's Rules and Regulations and this Agreement and Customer shall pay said bills as required under the Rules and Regulations and this Agreement.

4. Term and Termination The term of this Agreement shall be for the period of thirty (30) years from the date of full execution of this Agreement by both parties, unless earlier terminated as set forth under this Agreement. The term may be extended for two (2) additional thirty (30) year periods upon the mutual written agreement of both parties prior to expiration of the original term or the first extended term. Upon sixty (60) days prior written notice to Customer, District may terminate the Program and this Agreement in the event District makes the determination provided for under Section 3(c)(i). In addition, this Agreement may be terminated in the event of a breach of this Agreement. In the event of a breach, the non-defaulting party shall submit a written notice of default to the defaulting party setting forth the breach or default and providing the defaulting party with thirty (30) days to cure said breach. In the event the defaulting party fails to cure said breach within the cure period, as said period may be extended by mutual agreement, the non-defaulting party may elect to terminate this Agreement and/or pursue any and all other remedies in law or equity. In the event of expiration or termination of this Agreement, either party may elect to have the District Facilities removed from the Customer Property. Any such removal shall be conducted by District at District's sole cost and expense. Following any such removal, District shall reasonably restore any ground on the Customer

Property disturbed by the construction or operation of the District Facilities to its reasonable pre-disturbance state, at its sole cost and expense, reasonable wear and tear excepted. At all times including, without limitation, subsequent to the term of this Agreement, District shall own all right, title and interest to any and all District Facilities and any appurtenances thereto.

5. CEQA Compliance District and Customer acknowledge and agree that the obligations of the parties under this Agreement are conditioned on District completing any applicable proceedings under the California Environmental Quality Act ("CEQA") which may be required and the successful defense of any challenge, or the expiration of any challenge period, which may apply to CEQA compliance in connection with this Agreement and the Program.

6. Compliance with Rules and Regulations This Agreement may be terminated by District in the event of Customer's breach of any of the provisions of this Agreement. In addition, Service may be discontinued, or otherwise restricted, pursuant to the provisions of the Rules And Regulations.

7. Indemnification Each party shall indemnify and hold harmless the other party from and against any and all liability, claims, losses, actions, and expenses (including attorneys fees), which may arise out of or are incident to, any acts, omissions or willful misconduct of said party in the performance of this Agreement and the Program.

8. Impact of this Agreement on the Previous Agreements In the event of any conflict between the provisions of this Agreement and the provisions of the Previous Agreements, the provisions of this Agreement shall be controlling. Notwithstanding the foregoing, nothing herein contained shall be construed to limit the amount of water service as established pursuant to the Previous Agreements, it being the express intent of the parties that the total amount of water service to which Customer may be entitled in the future as set forth under the Previous Agreements shall not be adversely impacted or otherwise limited by this Agreement. In the event water service from groundwater, as contemplated under this Agreement and the Program, is not provided at any time due to any of the reasons set forth in this Agreement, then Customer shall remain entitled to receive Service, as established pursuant to the Previous Agreements, which includes water supplies from Lake Arrowhead.

9. General Provisions

(a) Incorporation of Recitals The Recitals set forth in this Agreement are incorporated herein and made an operative part of this Agreement.

(b) Attorneys Fees In the event of any controversy, claim, or dispute between the parties which arises out of, or relates to, this Agreement or to the breach of the same, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs.

(c) Amendments This Agreement may not be amended except by a subsequent writing, which is signed by the parties.

(d) Successors and Assigns Neither party shall assign or otherwise transfer any rights under, or interest in, this Agreement without the written consent of the other party, which consent shall not be unreasonably withheld. Unless specifically stated to the contrary in any consent, no assignment or transfer will release or discharge the assignor from any duty or responsibility under this Agreement.

(e) Severability Any provision or part of this Agreement held to be void or unenforceable shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon the parties.

(f) Waiver Non-enforcement of a provision by either party shall not constitute a waiver of that provision, nor shall it affect enforceability of that provision or the remainder of this Agreement.

(g) Counterparts This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

(h) Entire Agreement This Agreement sets forth and contains the entire understanding and agreement of the parties, and there are no oral or written representations, understandings or ancillary covenants, undertakings or agreements which are not contained or expressly referred to herein.

(i) Interpretations and Governing Law This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California.

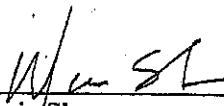
(j) Jurisdiction and Venue Any action at law or in equity arising under this Agreement or brought by a party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Agreement shall be filed and prosecuted in the Superior Court of the County of San Bernardino, State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth below.

(signatures are on the following page)

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

By:

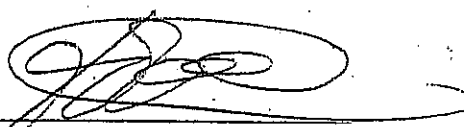

Marvin Shaw
General Manager

Dated:

11/06/03

LAKE ARROWHEAD COUNTRY CLUB

By:


Herman F. Ott de Vries
General Manager

Dated:

11-05-03

EXHIBIT A
CUSTOMER PROPERTY

(SEE ATTACHED)

A-1 LEGAL DESCRIPTION
A-2 MAP
B-1 LEGAL DESCRIPTION
B-2 MAP

EXHIBIT "A-1"

Apn: 0333-281-18

An easement, 15 feet in width, for ingress, egress, water lines, water wells and incidental purposes for the maintenance of said water lines and water wells over a portion of the Southwest Quarter of Section 17, Township 2 North, Range 3 West, San Bernardino Base & Meridian, County of San Bernardino, State of California.

The centerline of said easement is more particularly described as follows:

COMMENCING at the southwest corner of Lot 114, Tract 6489, as per plat recorded in Book 83, pages 76 through 83, inclusive, of maps, records of said San Bernardino County; and the beginning of a tangent curve, with a radius of 175.00 feet, concave to the Northwest; thence Southwesterly along said curve, and the easterly right of way of Brentwood Drive, through a central angle of 04 Degrees 56 Minutes 21 Seconds an arc distance of 15.09 feet to the **TRUE POINT OF BEGINNING**; thence non-tangent to said curve, South 63 Degrees 22 Minutes 15 Seconds East a distance of 137.42 feet; thence North 38 Degrees 25 Minutes 16 Seconds East a distance of 154.60 feet; thence North 54 Degrees 26 Minutes 36 Seconds East a distance of 58.10 feet; thence South 86 Degrees 46 Minutes 16 Seconds East a distance of 109.70 feet; thence North 15 Degrees 28 Minutes 55 Seconds East a distance of 85.66 feet; thence North 21 Degrees 23 Minutes 01 Seconds East a distance of 74.55 feet; thence North 06 Degrees 43 Minutes 57 Seconds East a distance of 46.92 feet; thence North 20 Degrees 59 Minutes 08 Seconds East a distance of 28.91 feet; thence North 56 Degrees 21 Minutes 20 Seconds East a distance of 75.41 feet; thence North 78 Degrees 14 Minutes 59 Seconds East a distance of 121.38 feet; thence South 07 Degrees 43 Minutes 34 Seconds East a distance of 40.97 feet; thence South 16 Degrees 34 Minutes 57 Seconds East a distance of 77.06 feet; thence South 36 Degrees 13 Minutes 10 Seconds East a distance of 20.32 feet to the **POINT OF TERMINUS**. The sidelines of said easement shall be lengthened or shortened as to terminate at the easterly right of way of Brentwood Drive.

Said easement is depicted as Parcel 1 on Exhibit "A-2" attached hereto and incorporated herein by this reference.

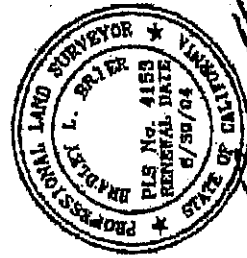
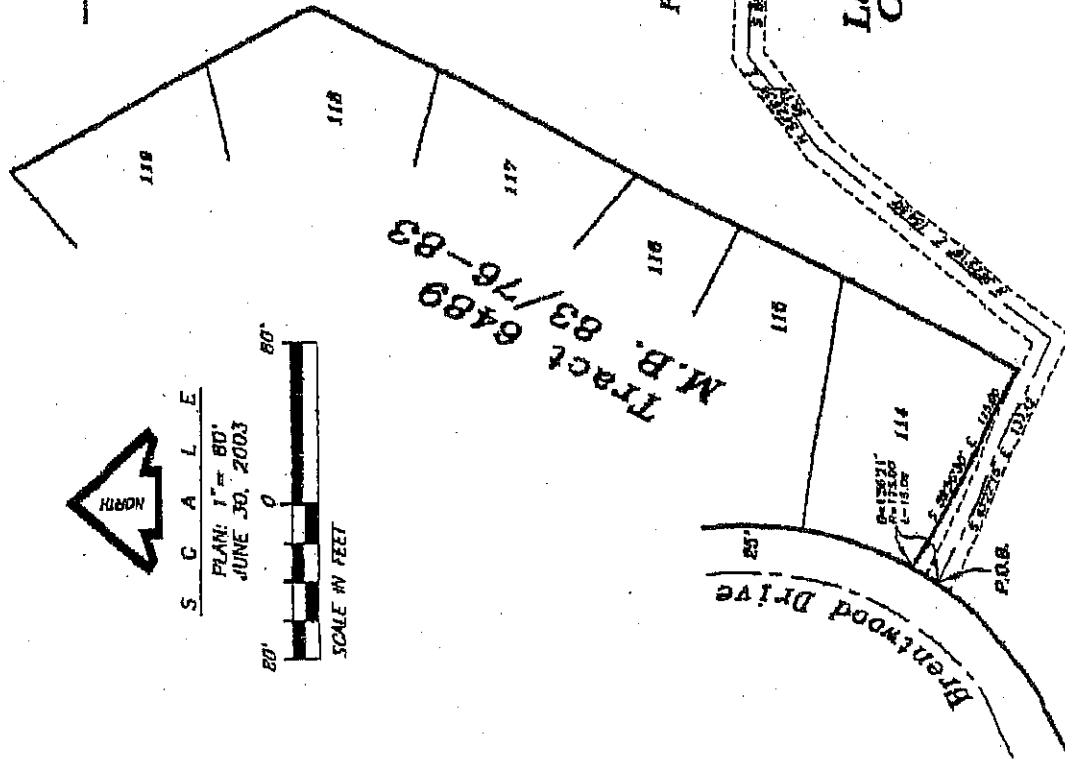
This legal description prepared by me or under my direction June 30, 2003.


Bradley L. Brier, PLS #163
Renewal date: 6/30/2004



EXHIBIT "A-2"

APN: 0333-281-18
Lake Arrowhead Country Club



Bradley L. Braker

EXHIBIT "B-1"

An easement, 15 feet in width, for ingress, egress, water lines, water wells and incidental purposes for the maintenance of said water lines and water wells over a portion of the Southwest Quarter of Section 17, Township 2 North, Range 3 West, San Bernardino Base & Meridian, County of San Bernardino, State of California.
The centerline of said easement is more particularly described as follows:

COMMENCING at the northeast corner of Lot 69, Tract 6489, as per plat recorded in Book 83, pages 76 through 83, inclusive, of maps, records of said San Bernardino County; and the beginning of a tangent curve, with a radius of 225.00 feet, concave to the East, thence Northerly, along said curve, and the westerly right of way of Brentwood Drive, through a central angle of 02 Degrees 40 Minutes 03 Seconds an arc distance of 10.48 feet to the **TRUE POINT OF BEGINNING**; thence non-tangent to said curve, North 64 Degrees 32 Minutes 24 Seconds West a distance of 135.81 feet; thence South 48 Degrees 43 Minutes 55 Seconds West a distance of 51.28 feet; thence South 85 Degrees 15 Minutes 45 Seconds West a distance of 70.11 feet; thence South 75 Degrees 20 Minutes 50 Seconds West a distance of 108.24 feet; thence South 85 Degrees 29 Minutes 48 Seconds West a distance of 48.59 feet; thence South 56 Degrees 28 Minutes 45 Seconds West a distance of 197.89 feet; thence South 81 Degrees 33 Minutes 05 Seconds West a distance of 44.33 feet; thence North 73 Degrees 00 Minutes 37 Seconds West a distance of 92.16 feet; thence North 82 Degrees 36 Minutes 44 Seconds West a distance of 78.49 feet; thence North 87 Degrees 49 Minutes 12 Seconds West a distance of 71.24 feet; thence South 16 Degrees 37 Minutes 53 Seconds West a distance of 43.72 feet to the **POINT OF TERMINUS** in the northerly line of Lot 34, Tract 7915, as per plat recorded in Book 101, pages 64 through 71, inclusive, of maps, records of said San Bernardino County; SAID point of terminus bears South 87 Degrees 48 Minutes 52 Seconds East a distance of 50.00 feet from the Northwest corner of Lot 34 of said Tract 7915. The sidelines of said easement shall be lengthened or shortened as to terminate at the northerly line of said Lot 34 and the westerly right of way of Brentwood Drive.

Said easement is depicted as Parcel 2 on Exhibit "B-2" attached hereto and incorporated herein by this reference.

This legal description prepared by me or under my direction June 30, 2003.


Bradley L. Brier, PLS 4153
Renewal date: 6/30/2004



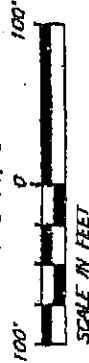
EXHIBIT "B-2"

APN: 0345-191-12
Lake Arrowhead Country Club



S C A L E

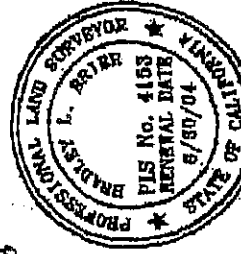
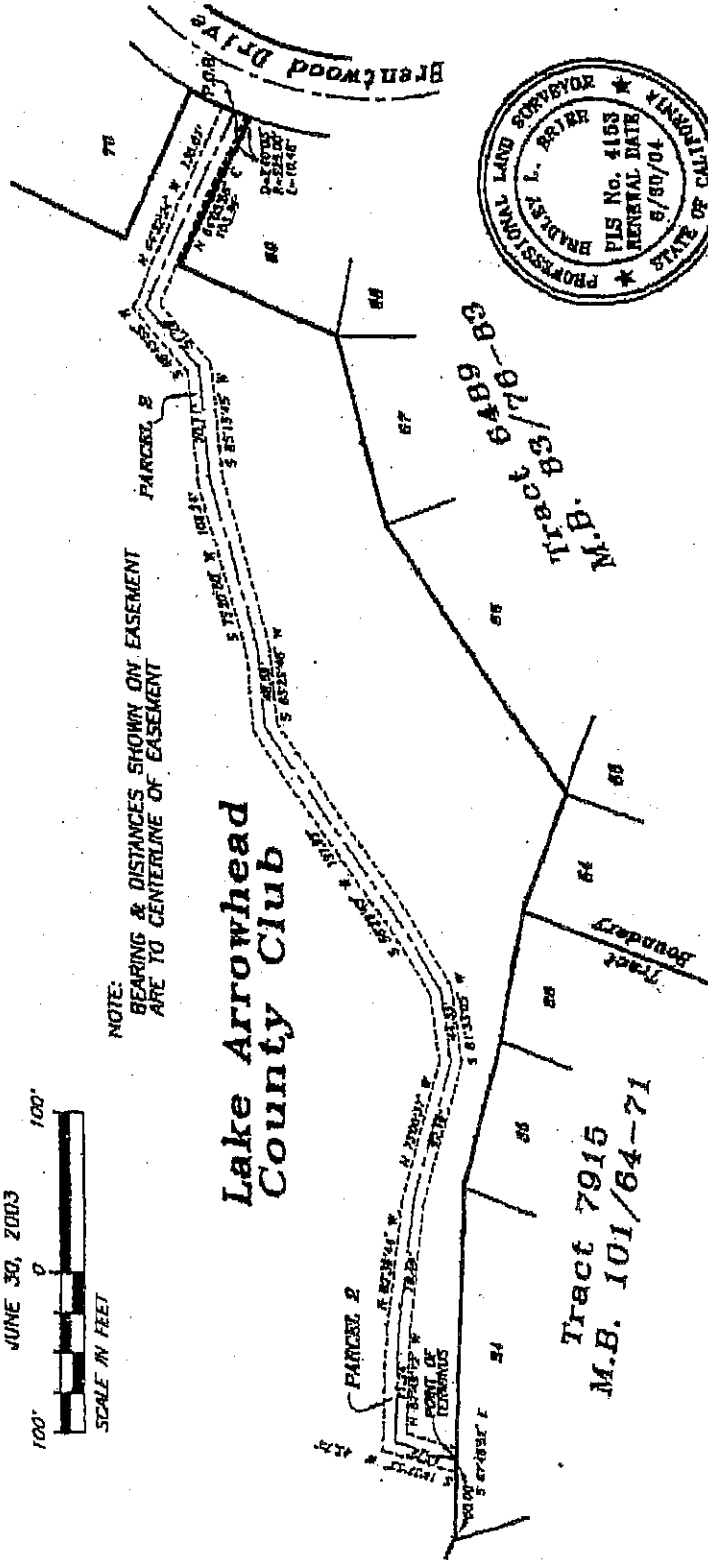
PLAN: 1" = 100'
JUNE 30, 2003



NOTE:

BEARING & DISTANCES SHOWN ON EASEMENT
ARE TO CENTERLINE OF EASEMENT

Lake Arrowhead
County Club



Bradley L. Bryer

EXHIBIT B

DISTRICT FACILITIES AND RIGHTS OF WAY

Well #1 will be located on the south side of the driving range tee box. Well #2 will be located on the south side of the 15th fairway approximately 250 yards below the tee box. Both wells are to be drilled to a depth of 800 feet and covered with a cinder block structure housing the pumps electrical connection. A booster pump house will be constructed above the driving range on the south side of the range near the access road. During construction a 100' radius around the drill heads will be shielded off, after construction is complete all improvements will be underground except the wellhead, a cinder block structure, approximately four feet by four feet in width and thirty inches high and the Booster pump house. The District will need to access the sites through the LACC Cart paths and access roads. The access point for well #1 shall be on the access road adjacent to the driving range between the driving range and Grass Valley Road. Access to the well #2 site will be off Brentwood Drive up the Cart Path to the 15th Green, from the cart path's turn below the green. Access will be down the 15th Fairway along the cart path to the site at the lowest part of the valley. Reference attachments include:

- FACILITIES DESCRIPTION (Attachment A) - A set of three drawings are provided to show the type of structures. The drawings show the elevation of the above ground structures.
- FACILITIES MAP (Attachment B) - A map identifying the location of the two well sites, manifold and location of the Booster Pump House has been provided. The manifold detail shows the tie-in to Grass Valley Creek near the 18th Green and a separate tie-in to the District's water distribution system.
- RIGHT-OF-WAY MAP (Attachment C) - LACSD intends to ingress and egress across LACC lands to construct the wells and associated appurtenances. The route used to bring the drill equipment is shown on Attachment C.
- CONSTRUCTION SCHEDULE (Attachment D)

ORIGINAL

**LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
SECOND AGREEMENT FOR WATER SERVICE AND WELL DRILLING**

THIS SECOND AGREEMENT FOR WATER SERVICE AND WELL DRILLING ("Agreement") is entered between the Lake Arrowhead Community Services District, a public agency ("District") and the Lake Arrowhead Country Club, a California non-profit corporation ("Customer").

RECITALS

A. District is a public agency responsible for providing potable water service to approximately 7,500 customers in the area commonly known as Arrowhead Woods and irrigation water service. At this time, Lake Arrowhead is the sole source of water for the customers within Arrowhead Woods.

B. Irrigation water service is currently provided to Customer in accordance with certain agreements, which were entered into by predecessors-in-interest to District. Those agreements include, but are not necessarily limited to, that certain Agreement of Settlement and Compromise, dated August 22, 1964, and that certain Agreement for the Purchase and Sale of Assets of Arrowhead Utility Company, dated June 9, 1978 (both agreements are collectively referred to herein as the "Previous Agreements"). Said irrigation water service is currently provided by the delivery of water into Grass Valley Lake from Lake Arrowhead where it is then taken by Customer for irrigation of its golf course.

C. District is planning and implementing programs to supplement and diversify the sources of water supply for the Lake Arrowhead community. The purpose of this Agreement is to implement District's Cooperative Development And Management Program ("Program") in order to develop a more efficient method of providing irrigation water service to Customer and ensure the reasonable and beneficial use of water resources for all members of the Lake Arrowhead Community.

D. The parties desire to enter into this Agreement in order to: (1) establish a direct contractual arrangement for irrigation water service to be provided to Customer, which will supercede any contrary contractual provisions for such service which currently apply to such service and (2) establish a method for providing irrigation water service that is consistent with the critical need for conservation of water supplies in the Lake Arrowhead Community and for the reasonable and beneficial use of said water supplies; and (3) provide for the District's development and use of groundwater sources on Customer's property for domestic drinking water supplies and service.

E. In pursuit of the same purposes set forth above, on or about November 6, 2003, the parties entered into a separate Agreement For Water Service And Well Drilling (hereafter referred to as the "First Agreement") providing for, among other things, the design, construction and installation of two groundwater production wells by District on certain portions of the real property owned by Customer. It is intended that the Second Agreement be read together and in conjunction with the First Agreement, where applicable.

IN CONSIDERATION FOR PERFORMANCE OF THE COVENANTS AND CONDITIONS SET FORTH HEREIN, THE PARTIES AGREE AS FOLLOWS:

1. Construction and Installation of District Facilities At its sole cost and expense, District shall design, construct and otherwise install WELL NUMBER THREE (3) and appurtenant facilities ("District Facilities") on certain portions of the real property owned by Customer upon which Customer operates a golf course ("Customer Property"). The Customer Property is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference. The District Facilities also include, among other things, one or more tanks and pump houses and concrete slabs supporting such facilities. The District Facilities shall also include facilities for production of groundwater and delivery of said water to facilities of Customer ("Customer Facilities") for irrigation of the golf course on the Customer Property including the point of connection between the District Facilities and the Customer Facilities ("Connection Point"). The District Facilities shall also include facilities for conveyance of said groundwater by District from the production wells to facilities of District, which comprise District's overall system ("District System") for the provision of water service to its customers,

(a) Rights of Way Customer shall grant, convey and otherwise transfer to District any and all non-exclusive easements, licenses, rights of entry and any other rights-of-way District reasonably requires in connection with the construction, installation, operation and maintenance of the District Facilities. Any such property interests shall be transferred from Customer to District at no cost or expense. Any such easements, licenses, rights of entry or any other rights-of-way shall terminate at any such time as this Agreement is otherwise terminated.

(b) Description and Location of Facilities and Rights-of-Way A description of the District Facilities, and the rights-of-way which District requires, are more particularly described in Exhibit "B" attached hereto and incorporated herein by reference.

(c) Activities In Connection With Construction and Installation of District Facilities District shall be responsible, at its sole cost and expense, for performance of all activities in connection with the design, installation and construction of the District Facilities, and shall indemnify and hold Customer harmless from and against any and all liability, claims, losses, actions, and expenses (including attorney's fees), which may arise out of, or are incident to, the performance by District of all such activities including, without limitation, damages and injuries to other personal or real property, whether owned by Customer or third parties. Such activities shall include, without limitation, the following tasks:

- (i) Geo-hydrologic investigation and monitoring of groundwater resources.
- (ii) Environmental and regulatory compliance.
- (iii) Well drilling

(iv) Survey, design, engineering and construction of facilities (wells, pumps, motors, storage and pipeline)

(v) Operation and maintenance of facilities including the cost of water treatment, if necessary.

(vi) Groundwater monitoring and reporting, for example, scheduled reporting to Customer and appropriate regulatory agencies of the amounts and quality of groundwater extracted.

(d) Ownership and Control of District Facilities While this Agreement remains in effect, District shall own, control and otherwise retain a non-exclusive right of access on Customer Property in order to operate and maintain all District Facilities, subject to Customer's reasonable requirements. District shall own, operate, repair and maintain all facilities, equipment, material, supplies and any other personal property in connection with the Program and the District Facilities.

(e) Completion of District Facilities District shall complete all actual drilling by June 1, 2004 and all additional non-drilling test and connection work by June 6, 2004 ("Completion Date"). Customer shall complete the construction and installation of the Customer Facilities on or before the Completion Date. Prior to commencement of irrigation water service to Customer under this Agreement, District shall continue to provide irrigation water service to Customer through the process set forth under the Previous Agreements and under the First Agreement. Further, after commencement of irrigation water service to Customer under this Agreement, in the event that the amount of groundwater produced by the District Facilities is not sufficient for provision of Service, as defined herein, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements and the First Agreement.

(f) Requirements for Well Drilling District shall cause the drill rig to be placed on site during the first week of May 2004. Actual drilling shall be completed by June 1, 2004 and the rig removed by that date. The site will be protected with mesh screening capable of stopping flying golf balls.

(g) Requirements for Servicing Drill Site Normal and/or heavy vehicles shall not be used to transport materials or personnel over or across Customer Property nor otherwise to service the site, other than for initial setup and post-digging removal. All transport shall be with "Gators" or other golf-cart related equipment. All transport shall be completed daily by 0700 or otherwise as Customer requires. In all respects, the well drilling activities shall be subject to Customer's reasonable requirements.

(h) Requirements for Associated Pipelines Pipeline work on Customer's site, related to the well drilling, will commence on April 28, 2004 and be completed by May 13, 2004. Customer's site will remain playable for golf at all times. Excavations will be filled and/or

covered each night. In all respects, the pipeline placement activities shall be subject to Customer's reasonable requirements.

2. Acknowledgment and Establishment of Water Rights

(a) Customer's Water Right Customer hereby represents and warrants that it has a right, under California law, to extract groundwater for reasonable and beneficial use upon the Customer Property, which is deemed to be the overlying land ("Customer Water Right"), for irrigation of the golf course. Nothing in this Agreement shall constitute the transfer of ownership of the Customer Water Right to District.

(b) District Water Right District hereby represents and warrants that according to California law, District is a public agency with the authority to enter into agreements for acquisition of water resources in order to provide water service to its customers and to take certain actions to appropriate, and otherwise secure, the right to water resources. District shall utilize the District Facilities to develop groundwater from Customer Property for use in providing irrigation water service to Customer and also for appropriation and conveyance of such water into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service. As between District and Customer, District shall have the full responsibility and right to take any and all actions to establish an appropriative water right, or any other applicable water right ("District Water Right"), in connection with the appropriation and conveyance of such water off of the Customer Property and into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service.

3. Sale, Purchase and Delivery of Irrigation Water Service

(a) Provision of Irrigation Water Service Beginning on the date which is no later than sixty (60) days after the Completion Date, District shall provide irrigation water service ("Service") to Customer pursuant to the provisions of this Agreement and District's Rules and Regulations for Water and Wastewater Service ("Rules and Regulations"), as said Rules and Regulations may be amended from time to time. In the event of a conflict between the provisions of this Agreement and the provisions of the Rules and Regulations, the provisions of this Agreement shall control. Said Service shall be provided by the production of groundwater from the Customer Property through the District Facilities and then the delivery of said groundwater to the Customer Facilities at the Connection Point. In the event the production of groundwater is not sufficient to meet: (i) the estimated quantities of water as set forth herein; and/or (ii) the delivery schedules to be developed by the parties, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements and the First Agreement. As a result, the groundwater produced from the Customer Property shall be credited, on an annual "bucket-for-bucket" basis, toward the amount that District would otherwise deliver to Customer for such Service through the process set forth under the Previous Agreements.

(b) Estimated Quality and Quantity of Groundwater The amount and quantity of groundwater which can be produced under the Program through the District Facilities cannot be determined until after District completes the first phase of the Program which involves the construction and installation of "test wells." For informational purposes only, the District estimates that based upon geo-hydrologic studies, the combined production capacity of the District Facilities could perhaps be between 50 to 100 gallons per minute ("gpm") or about 80 to 160 acre feet of water per year. The groundwater produced from the District Facilities shall be used for providing the Service. In the event District is able to produce through the District Facilities an amount of groundwater in excess of the amount necessary for the Service ("Surplus Water"), District shall have the right to utilize such Surplus Water by conveyance to the District System and establishing the applicable District Water Right in connection therewith. Surplus Water may be used by District in its discretion including, without limitation, for domestic drinking water supplies and service to District customers. The parties hereby acknowledge and agree that District's performance of its obligations under this Agreement including, without limitation, the obligation to design, construct and install the District Facilities, shall constitute the total consideration provided by District in exchange for District's establishment, ownership and use of the District Water Right and ownership and use of the Surplus Water.

(i) District's Obligation to Provide Service Through District Facilities District's obligation to provide the Service through the Program and the District Facilities shall be subject to the availability of groundwater from the Customer Property and the extent to which the applicable District Water Right can be established and secured for the transfer of such Surplus Water off of the Customer Property and into District's System for District's use in providing domestic drinking water supplies and service. In the event District determines that it is no longer possible or feasible to extract groundwater for the purposes contemplated under this Agreement and the Program, including without limitation for domestic water supplies and service, District may terminate the Program and this Agreement as provided for herein. In that event, District will continue to provide the Service pursuant to the process set forth in the Previous Agreements, the First Agreement, or as otherwise provided under this Agreement. For example, and not by way of limitation, District may determine that it is no longer possible or feasible to extract groundwater pursuant to the Program and this Agreement due to insufficient groundwater supplies, a challenge to the District Water Right, or the exercise of a superior right by another water right holder.

(c) Purchase Price The purchase price to be paid by Customer to District for the Service shall be at the rate ("Rate") provided for under the Previous Agreements. The Rate shall be applied to any water delivered through the process set forth under the Previous Agreements, as well as to groundwater produced from the Customer Property. The total amount of water delivered to Customer will not exceed the amounts and delivery schedule as set forth under the Previous Agreements. The Rate shall be subject to adjustment, from time to time, as provided for under the Previous Agreements and in accordance with the procedures and requirements in the Rules and Regulations.

(d) Metering For purposes of determining the quantities of groundwater which District delivers to Customer for the Service each month, District shall purchase and install, at

the Connection Point, and at the expense of District, a meter of adequate size, calibration and volume to accurately measure the quantities of groundwater delivered to Customer for the Service. District shall read such meter at the end of each month/two months. For the applicable monthly/bi-monthly billing period, District shall submit a monthly/bi-monthly bill to Customer, which sets forth the quantity of groundwater, delivered and the quantity of water delivered, if any, through the process under the Previous Agreements. Customer shall have the right to read and/or inspect the meter. District shall have the meter tested from time to time, as determined in its discretion, to determine if it is accurately recording the quantities of groundwater delivered to Customer. If the meter is determined by such a test to be operating inaccurately by approximately five percent (5%) or more of the manufacturer's recommended flow range, District shall have the meter repaired or replaced and the cost of such repair and replacement shall be borne by District.

(e) Billing and Payment District shall bill Customer for the Service in each calendar month pursuant to the payment terms and billing procedure set forth in District's Rules and Regulations and this Agreement and Customer shall pay said bills as required under the Rules and Regulations and this Agreement.

4. Term and Termination The term of this Agreement shall be for the period of thirty (30) years from the date of full execution of this Agreement by both parties, unless earlier terminated as set forth under this Agreement. The term may be extended for two (2) additional thirty (30) year periods upon the mutual written agreement of both parties prior to expiration of the original term or the first extended term. Upon sixty (60) days prior written notice to Customer, District may terminate the Program and this Agreement in the event District makes the determination provided for under Section 3(b)(i). In addition, this Agreement may be terminated in the event of a breach of this Agreement. In the event of a breach, the non-defaulting party shall submit a written notice of default to the defaulting party setting forth the breach or default and providing the defaulting party with thirty (30) days to cure said breach. In the event the defaulting party fails to cure said breach within the cure period, as said period may be extended by mutual agreement, the non-defaulting party may elect to terminate this Agreement and/or pursue any and all other remedies in law or equity. In the event of expiration or termination of this Agreement, either party may elect to have the District Facilities removed from the Customer Property. Any such removal shall be conducted by District at District's sole cost and expense. Following any such removal, District shall reasonably restore any ground on the Customer Property disturbed by the construction or operation of the District Facilities to its reasonable pre-disturbance state, at its sole cost and expense, reasonable wear and tear excepted. At all times including, without limitation, subsequent to the term of this Agreement, District shall own all right, title and interest to any and all District Facilities and any appurtenances thereto.

5. CEQA and NEPA Compliance District and Customer acknowledge and agree that the obligations of the parties under this Agreement are conditioned on District completing any applicable proceedings under the California Environmental Quality Act ("CEQA") and the National Environmental Protection Act ("NEPA") which may be required and the successful defense of any challenge, or the expiration of any challenge period, which may apply to CEQA or NEPA compliance in connection with this Agreement and the Program.

6. Compliance with Rules and Regulations This Agreement may be terminated by District in the event of Customer's breach of any of the provisions of this Agreement. In addition, Service may be discontinued, or otherwise restricted, pursuant to the provisions of the Rules And Regulations.

7. Indemnification Each party shall indemnify and hold harmless the other party from and against any and all liability, claims, losses, actions, and expenses (including attorneys fees), which may arise out of or are incident to, any acts, omissions or willful misconduct of said party in the performance of this Agreement and the Program.

8. Impact of this Agreement on the Previous Agreements In the event of any conflict between the provisions of this Agreement and the provisions of the Previous Agreements, the provisions of this Agreement shall be controlling. Notwithstanding the foregoing, nothing herein contained shall be construed to limit the amount of water service as established pursuant to the Previous Agreements, it being the express intent of the parties that the total amount of water service to which Customer may be entitled in the future as set forth under the Previous Agreements shall not be adversely impacted or otherwise limited by this Agreement. In the event water service from groundwater, as contemplated under this Agreement and the Program, is not provided at any time due to any of the reasons set forth in this Agreement, then Customer shall remain entitled to receive Service, as established pursuant to the Previous Agreements, which includes water supplies from Lake Arrowhead.

9. General Provisions

(a) Incorporation of Recitals The Recitals set forth in this Agreement are incorporated herein and made an operative part of this Agreement.

(b) Attorneys Fees In the event of any controversy, claim, or dispute between the parties which arises out of, or relates to, this Agreement or to the breach of the same, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs.

(c) Amendments This Agreement may not be amended except by a subsequent writing, which is signed by the parties.

(d) Successors and Assigns Neither party shall assign or otherwise transfer any rights under, or interest in, this Agreement without the written consent of the other party, which consent shall not be unreasonably withheld. Unless specifically stated to the contrary in any consent, no assignment or transfer will release or discharge the assignor from any duty or responsibility under this Agreement.

(e) Severability Any provision or part of this Agreement held to be void or unenforceable shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon the parties.

(f) Waiver Non-enforcement of a provision by either party shall not constitute a waiver of that provision, nor shall it affect enforceability of that provision or the remainder of this Agreement.

(g) Counterparts This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

(h) Entire Agreement This Agreement sets forth and contains the entire understanding and agreement of the parties, and there are no oral or written representations, understandings or ancillary covenants, undertakings or agreements which are not contained or expressly referred to herein.

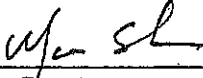
(i) Interpretations and Governing Law This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California.

(j) Jurisdiction and Venue Any action at law or in equity arising under this Agreement or brought by a party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Agreement shall be filed and prosecuted in the Superior Court of the County of San Bernardino, State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth below.

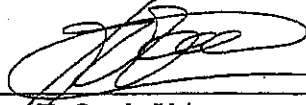
(signatures are on the following page)

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

By: 
Marvin Shaw
General Manager

Dated: 5/13/04

LAKE ARROWHEAD COUNTRY CLUB

By: 
Herman F. Ott de Vries
General Manager

Dated: 5-6-04

EXHIBIT A
CUSTOMER PROPERTY

(SEE ATTACHED)

EASEMENT 1

AN EASEMENT, 10.00 FEET IN WIDTH, FOR INGRESS, EGRESS, WATER LINES, WATER WELLS AND INCIDENTAL PURPOSES FOR THE MAINTENANCE OF SAID WATER LINES AND WATER WELLS, OVER A PORTION OF THE SOUTHWEST QUARTER OF SECTION 17 AND THE NORTHWEST QUARTER OF SECTION 20, TOWNSHIP 2 NORTH, RANGE 3 WEST, SAN BERNARDINO BASE & MERIDIAN, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, THE CENTERLINE OF SAID EASEMENT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE MOST WESTERLY CORNER OF LOT 114, TRACT 6489, AS PER PLAT RECORDED IN BOOK 83, PAGES 76 THROUGH 83, INCLUSIVE, OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, SAID CORNER ALSO BEING A POINT ON THE EASTERLY RIGHT OF WAY OF BRENTWOOD DRIVE, HAVING A HALF-WIDTH OF 25 FEET, AND ALSO BEING THE BEGINNING OF A 175.00 FOOT RADIUS, NON-TANGENT CURVE, A RADIAL OF SAID CURVE BEARS SOUTH 59°56'30" EAST;

THENCE SOUTHWESTERLY ALONG SAID CURVE, AND THE SAID EASTERLY RIGHT OF WAY OF SAID BRENTWOOD DRIVE; THROUGH A CENTRAL ANGLE OF 4°56'21" AN ARC DISTANCE OF 15.09 FEET;

THENCE SOUTH 63°22'15" EAST, 42.67 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 26°37'45" WEST, 7.50 FEET;

THENCE SOUTH 40°11'51" WEST, 63.48 FEET;

THENCE SOUTH 17°23'56" WEST, 115.39 FEET;

THENCE SOUTH 34°47'26" WEST, 80.56 FEET;

THENCE SOUTH 01°28'22" EAST, 62.02 FEET;

THENCE SOUTH 08°35'57" WEST, 76.30 FEET;

THENCE SOUTH 06°38'11" WEST, 88.61 FEET;

THENCE SOUTH 07°12'36" WEST, 43.58 FEET;

THENCE SOUTH 14°01'56" WEST, 114.33 FEET;

THENCE SOUTH 07°50'23" EAST, 154.78 FEET;

THENCE SOUTH 24°21'17" EAST, 25.96 FEET;

THENCE SOUTH 07°57'27" EAST, 120.09 FEET;

THENCE SOUTH 30°01'13" EAST, 22.58 FEET;

THENCE SOUTH 36°46'17" EAST, 397.56 FEET;
THENCE SOUTH 08°18'00" EAST, 209.48 FEET;
THENCE SOUTH 11°34'19" EAST, 68.51 FEET;
THENCE SOUTH 02°21'42" WEST, 84.17 FEET;
THENCE SOUTH 03°20'37" WEST, 107.05 FEET;
THENCE SOUTH 11°50'36" WEST, 34.83 FEET;
THENCE SOUTH 32°02'05" WEST, 130.06 FEET;
THENCE SOUTH 35°21'42" WEST, 145.08 FEET;
THENCE SOUTH 26°27'26" WEST, 70.15 FEET;
THENCE SOUTH 34°28'16" WEST, 105.36 FEET;
THENCE SOUTH 27°26'38" WEST, 124.08 FEET;
THENCE SOUTH 80°27'25" WEST, 26.29 FEET TO THE POINT OF TERMINUS.

SUBJECT TO ALL RESERVATIONS, RESTRICTIONS, EASEMENTS, OFFERS OF DEDICATION, RIGHTS AND RIGHTS OF WAY OF RECORD.

EASEMENT 2

AN EASEMENT, 10.00 FEET IN WIDTH, FOR INGRESS, EGRESS, WATER LINES, WATER WELLS AND INCIDENTAL PURPOSES FOR THE MAINTENANCE OF SAID WATER LINES AND WATER WELLS, OVER A PORTION OF THE WEST HALF OF SECTION 17, TOWNSHIP 2 NORTH, RANGE 3 WEST, SAN BERNARDINO BASE & MERIDIAN, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, THE CENTERLINE OF SAID EASEMENT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE MOST EASTERLY CORNER OF LOT 118, TRACT 6489, AS PER PLAT RECORDED IN BOOK 83, PAGES 76 THROUGH 83, INCLUSIVE, OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY;


THENCE N 78°59'44" E, 308.95 FEET TO THE TRUE POINT OF BEGINNING;

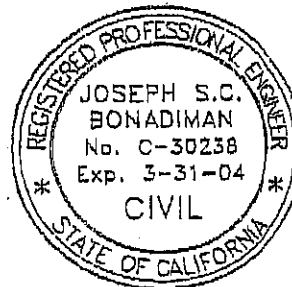
THENCE NORTH 18°29'06" EAST, 73.25 FEET;

THENCE NORTH 15°08'30" EAST, 74.80 FEET;

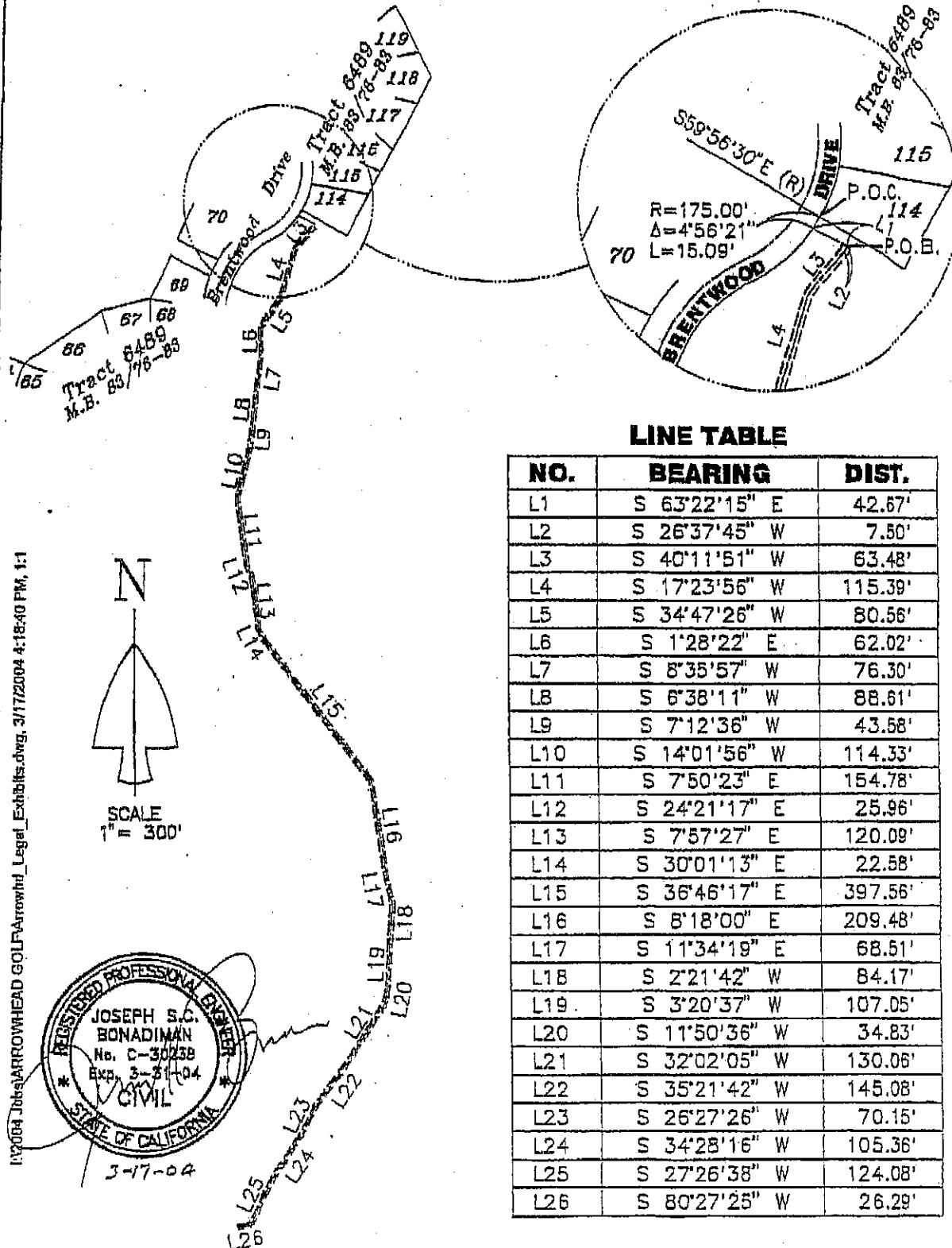
THENCE NORTH 21°16'25" EAST, 34.38 FEET;
THENCE NORTH 36°30'46" EAST, 38.28 FEET;
THENCE NORTH 37°37'18" EAST, 50.86 FEET;
THENCE NORTH 05°58'38" EAST, 33.46 FEET;
THENCE NORTH 01°45'34" WEST, 612.16 FEET;
THENCE NORTH 07°31'10" EAST, 83.40 FEET;
THENCE NORTH 01°19'03" EAST, 132.96 FEET;
THENCE NORTH 86°44'39" WEST, 12.79 FEET;
THENCE NORTH 05°12'41" EAST, 78.14 FEET;
THENCE NORTH 09°25'02" EAST, 98.06 FEET;
THENCE NORTH 14°19'27" EAST, 97.05 FEET;
THENCE NORTH 03°55'56" EAST, 139.03 FEET;
THENCE NORTH 14°52'58" EAST, 47.30 FEET;
THENCE NORTH 3°01'19" EAST, 78.87 FEET;
THENCE NORTH 25°35'57" EAST, 164.50 FEET;
THENCE NORTH 27°01'20" EAST, 246.30 FEET TO THE POINT OF TERMINUS.

SUBJECT TO ALL RESERVATIONS, RESTRICTIONS, BASEMENTS, OFFERS OF
DEDICATION, RIGHTS AND RIGHTS OF WAY OF RECORD.


JOSEPH S. C. BONADIMAN, P.E. 2-17-04
LICENSE EXPIRES 3-31-04 DATE

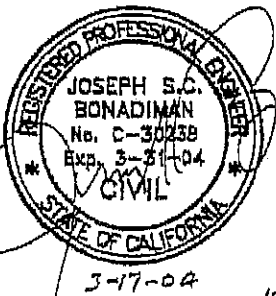


EASEMENT 1



LINE TABLE

NO.	BEARING	DIST.
L1	S 63°22'15" E	42.67'
L2	S 26°37'45" W	7.50'
L3	S 40°11'51" W	63.48'
L4	S 17°23'56" W	115.39'
L5	S 34°47'26" W	80.56'
L6	S 1°28'22" E	62.02'
L7	S 8°35'57" W	76.30'
L8	S 6°38'11" W	88.61'
L9	S 7°12'36" W	43.58'
L10	S 14°01'56" W	114.33'
L11	S 7°50'23" E	154.78'
L12	S 24°21'17" E	25.96'
L13	S 7°57'27" E	120.09'
L14	S 30°01'13" E	22.58'
L15	S 36°46'17" E	397.56'
L16	S 8°18'00" E	209.48'
L17	S 11°34'19" E	68.51'
L18	S 2°21'42" W	84.17'
L19	S 3°20'37" W	107.05'
L20	S 11°50'36" W	34.83'
L21	S 32°02'05" W	130.06'
L22	S 35°21'42" W	145.08'
L23	S 26°27'26" W	70.15'
L24	S 34°28'16" W	105.36'
L25	S 27°26'38" W	124.08'
L26	S 80°27'25" W	26.29'

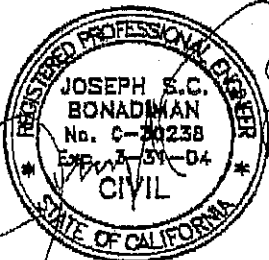
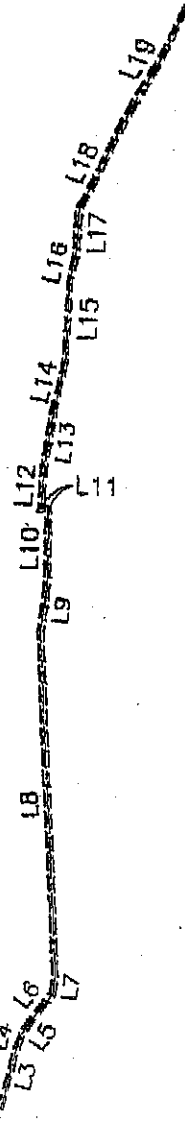


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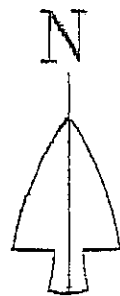
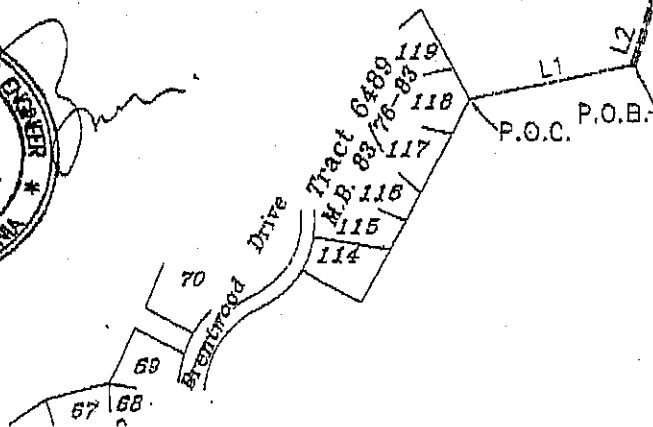
EASEMENT 2

LINE TABLE

NO.	BEARING	DIST.
L1	N 78°59'44" E	308.95'
L2	N 18°29'06" E	73.25'
L3	N 15°08'30" E	74.80'
L4	N 21°16'25" E	34.38'
L5	N 36°30'46" E	38.28'
L6	N 37°37'18" E	50.86'
L7	N 5°58'38" E	33.46'
L8	N 1°45'34" W	612.16'
L9	N 7°31'10" E	83.40'
L10	N 1°19'03" E	132.96'
L11	N 86°44'39" W	12.79'
L12	N 5°12'41" E	78.14'
L13	N 9°25'02" E	98.06'
L14	N 14°19'27" E	97.05'
L15	N 3°55'56" E	139.03'
L16	N 14°52'58" E	47.30'
L17	N 3°01'19" E	78.87'
L18	N 25°35'57" E	164.50'
L19	N 27°01'20" E	246.30'



3-17-04



SCALE
1" = 300'

**LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
THIRD AGREEMENT FOR WATER SERVICE AND WELL DRILLING**

THIS THIRD AGREEMENT FOR WATER SERVICE AND WELL DRILLING ("Agreement") is entered between the Lake Arrowhead Community Services District, a public agency ("District") and the Lake Arrowhead Country Club, a California non-profit corporation ("Customer").

RECITALS

A. District is a public agency responsible for providing potable water service to approximately 7,500 customers in the area commonly known as Arrowhead Woods and irrigation water service. At this time, Lake Arrowhead is the sole source of water for the customers within Arrowhead Woods.

B. Irrigation water service is currently provided to Customer in accordance with certain agreements, which were entered into by predecessors-in-interest to District. Those agreements include, but are not necessarily limited to, that certain Agreement of Settlement and Compromise, dated August 22, 1964, and that certain Agreement for the Purchase and Sale of Assets of Arrowhead Utility Company, dated June 9, 1978 (both agreements are collectively referred to herein as the "Previous Agreements"). Said irrigation water service is currently provided by the delivery of water into Grass Valley Lake from Lake Arrowhead where it is then taken, by Customer, for irrigation of its golf course.

C. District is planning and implementing programs to supplement and diversify the sources of water supply for the Lake Arrowhead community. The purpose of this Agreement is to implement District's Cooperative Development And Management Program ("Program") in order to develop a more efficient method of providing irrigation water service to Customer and ensure the reasonable and beneficial use of water resources for all members of the Lake Arrowhead Community.

D. The parties desire to enter into this Agreement in order to: (1) establish a direct contractual arrangement for irrigation water service to be provided to Customer; which will supercede any contrary contractual provisions for such service which currently apply to such service and (2) establish a method for providing irrigation water service that is consistent with the critical need for conservation of water supplies in the Lake Arrowhead Community and for the reasonable and beneficial use of said water supplies; and (3) provide for the District's development and use of groundwater sources on Customer's property for domestic drinking water supplies and service.

E. In pursuit of the same purposes set forth above, on or about November 6, 2003, the parties entered into a separate Agreement For Water Service And Well Drilling (hereafter referred to as the "First Agreement") providing for, among other things, the design, construction and installation of two groundwater production wells by District on certain portions of the real property owned by Customer.

F. In pursuit of the same purposes set forth above, on or about May 6, 2004, the parties entered into a Second Agreement For Water Service And Well Drilling (hereafter referred to as the "Second Agreement") providing for, among other things, the design, construction and installation of "Well Number Three" on certain portions of the real property owned by Customer. It is intended that the Third Agreement be read together and in conjunction with the First Agreement and Second Agreement, where applicable.

IN CONSIDERATION FOR PERFORMANCE OF THE COVENANTS AND CONDITIONS SET FORTH HEREIN, THE PARTIES AGREE AS FOLLOWS:

1. Construction and Installation of District Facilities At its sole cost and expense, District shall design, construct and otherwise install WELL NUMBER SIX (6) and appurtenant facilities ("District Facilities") on certain portions of the real property owned by Customer upon which Customer operates a golf course ("Customer Property"). The Customer Property is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference. The District Facilities also include, among other things, one or more tanks and pump houses and concrete slabs supporting such facilities. The District Facilities shall also include facilities for production of groundwater and delivery of said water to facilities of Customer ("Customer Facilities") for irrigation of the golf course on the Customer Property including the point of connection between the District Facilities and the Customer Facilities ("Connection Point"). The District Facilities shall also include facilities for conveyance of said groundwater by District from the production wells to facilities of District, which comprise District's overall system ("District System") for the provision of water service to its customers.

(a) Rights of Way Customer shall grant, convey and otherwise transfer to District any and all non-exclusive easements, licenses, rights of entry and any other rights-of-way District reasonably requires in connection with the construction, installation, operation and maintenance of the District Facilities. Any such property interests shall be transferred from Customer to District at no cost or expense. Any such easements, licenses, rights of entry or any other rights-of-way shall terminate at any such time as this Agreement is otherwise terminated.

(b) Description and Location of Facilities and Rights-of-Way A description of the District Facilities, and the rights-of-way which District requires, are more particularly described in Exhibit "B" attached hereto and incorporated herein by reference.

(c) Activities In Connection With Construction and Installation of District Facilities District shall be responsible, at its sole cost and expense, for performance of all activities in connection with the design, installation and construction of the District Facilities, and shall indemnify and hold Customer harmless from and against any and all liability, claims, losses, actions, and expenses (including attorney's fees), which may arise out of, or are incident to, the performance by District of all such activities including, without limitation, damages and injuries to other personal or real property, whether owned by Customer or third parties. Such activities shall include, without limitation, the following tasks:

(i) Geo-hydrologic investigation and monitoring of groundwater resources.

(ii) Environmental and regulatory compliance.

(iii) Well drilling

(iv) Survey, design, engineering and construction of facilities (wells, pumps, motors, storage and pipeline)

(v) Operation and maintenance of facilities including the cost of water treatment, if necessary.

(vi) Groundwater monitoring and reporting, for example, scheduled reporting to Customer and appropriate regulatory agencies of the amounts and quality of groundwater extracted.

(d) Ownership and Control of District Facilities While this Agreement remains in effect, District shall own, control and otherwise retain a non-exclusive right of access on Customer Property in order to operate and maintain all District Facilities, subject to Customer's reasonable requirements. District shall own, operate, repair and maintain all facilities, equipment, material, supplies and any other personal property in connection with the Program and the District Facilities.

(e) Completion of District Facilities District shall complete all actual drilling by July 1, 2004 and all additional non-drilling test and connection work by July 23, 2004 ("Completion Date"). Customer shall complete the construction and installation of the Customer Facilities on or before the Completion Date. Prior to commencement of irrigation water service to Customer under this Agreement, District shall continue to provide irrigation water service to Customer through the process set forth under the Previous Agreements, the First Agreement and the Second Agreement. Further, after commencement of irrigation water service to Customer under this Agreement, in the event that the amount of groundwater produced by the District Facilities is not sufficient for provision of Service, as defined herein, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements, First Agreement and Second Agreement.

(f) Requirements for Well Drilling District shall cause the drill rig to be placed on site during the week of June 14, 2004. Actual drilling shall be completed by July 1, 2004 and the rig removed by that date. The site will be protected with mesh screening capable of stopping flying golf balls.

(g) Requirements for Servicing Drill Site Normal and/or heavy vehicles shall not be used to transport materials or personnel over or across Customer Property nor otherwise to service the site, other than for initial setup and post-digging removal. All transport shall be with "Gators" or other golf-cart related equipment. All transport shall be completed daily by 0700 or

otherwise as Customer requires. In all respects, the well drilling activities shall be subject to Customer's reasonable requirements.

(h) Requirements for Associated Pipelines Pipeline work on Customer's site, related to the well drilling commenced on April 28, 2004 and was completed on June 10, 2004. Customer's site will remain playable for golf at all times. Excavations will be filled and/or covered each night. In all respects, the pipeline placement activities shall be subject to Customer's reasonable requirements.

2. Acknowledgment and Establishment of Water Rights

(a) Customer's Water Right Customer hereby represents and warrants that it has a right, under California law, to extract groundwater for reasonable and beneficial use upon the Customer Property, which is deemed to be the overlying land ("Customer Water Right"), for irrigation of the golf course. Nothing in this Agreement shall constitute the transfer of ownership of the Customer Water Right to District.

(b) District Water Right District hereby represents and warrants that according to California law, District is a public agency with the authority to enter into agreements for acquisition of water resources in order to provide water service to its customers and to take certain actions to appropriate, and otherwise secure, the right to water resources. District shall utilize the District Facilities to develop groundwater from Customer Property for use in providing irrigation water service to Customer and also for appropriation and conveyance of such water into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service. As between District and Customer, District shall have the full responsibility and right to take any and all actions to establish an appropriative water right, or any other applicable water right ("District Water Right"), in connection with the appropriation and conveyance of such water off of the Customer Property and into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service.

3. Sale, Purchase and Delivery of Irrigation Water Service

(a) Provision of Irrigation Water Service Beginning on the date which is no later than sixty (60) days after the Completion Date, District shall provide irrigation water service ("Service") to Customer pursuant to the provisions of this Agreement and District's Rules and Regulations for Water and Wastewater Service ("Rules and Regulations"), as said Rules and Regulations may be amended from time to time. In the event of a conflict between the provisions of this Agreement and the provisions of the Rules and Regulations, the provisions of this Agreement shall control. Said Service shall be provided by the production of groundwater from the Customer Property through the District Facilities and then the delivery of said groundwater to the Customer Facilities at the Connection Point. In the event the production of groundwater is not sufficient to meet: (i) the estimated quantities of water as set forth herein; and/or (ii) the delivery schedules to be developed by the parties, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements,

the First Agreement and Second Agreement. As a result, the groundwater produced from the Customer Property shall be credited, on an annual "bucket-for-bucket" basis, toward the amount that District would otherwise deliver to Customer for such Service through the process set forth under the Previous Agreements.

(b) Estimated Quality and Quantity of Groundwater The amount and quantity of groundwater which can be produced under the Program through the District Facilities cannot be determined until after District completes the first phase of the Program which involves the construction and installation of "test wells." For informational purposes only, the District estimates that based upon geo-hydrologic studies, the combined production capacity of the District Facilities could perhaps be between 170 to 200 gallons per minute ("gpm") or about 180 to 256 acre feet of water per year. The groundwater produced from the District Facilities shall be used for providing the Service. In the event District is able to produce through the District Facilities an amount of groundwater in excess of the amount necessary for the Service ("Surplus Water"), District shall have the right to utilize such Surplus Water by conveyance to the District System and establishing the applicable District Water Right in connection therewith. Surplus Water may be used by District in its discretion including, without limitation, for domestic drinking water supplies and service to District customers. The parties hereby acknowledge and agree that District's performance of its obligations under this Agreement including, without limitation, the obligation to design, construct and install the District Facilities, shall constitute the total consideration provided by District in exchange for District's establishment, ownership and use of the District Water Right and ownership and use of the Surplus Water.

(i) District's Obligation to Provide Service Through District Facilities District's obligation to provide the Service through the Program and the District Facilities shall be subject to the availability of groundwater from the Customer Property and the extent to which the applicable District Water Right can be established and secured for the transfer of such Surplus Water off of the Customer Property and into District's System for District's use in providing domestic drinking water supplies and service. In the event District determines that it is no longer possible or feasible to extract groundwater for the purposes contemplated under this Agreement and the Program, including without limitation for domestic water supplies and service, District may terminate the Program and this Agreement as provided for herein. In that event, District will continue to provide the Service pursuant to the process set forth in the Previous Agreements, the First Agreement, the Second Agreement, or as otherwise provided under this Agreement. For example, and not by way of limitation, District may determine that it is no longer possible or feasible to extract groundwater pursuant to the Program and this Agreement due to insufficient groundwater supplies, a challenge to the District Water Right, or the exercise of a superior right by another water right holder.

(c) Purchase Price The purchase price to be paid by Customer to District for the Service shall be at the rate ("Rate") provided for under the Previous Agreements. The Rate shall be applied to any water delivered through the process set forth under the Previous Agreements, as well as to groundwater produced from the Customer Property. The total amount of water delivered to Customer will not exceed the amounts and delivery schedule as set forth under the Previous Agreements. The Rate shall be subject to adjustment, from time to time, as provided

for under the Previous Agreements and in accordance with the procedures and requirements in the Rules and Regulations.

(d) Metering For purposes of determining the quantities of groundwater which District delivers to Customer for the Service each month, District shall purchase and install, at the Connection Point, and at the expense of District, a meter of adequate size, calibration and volume to accurately measure the quantities of groundwater delivered to Customer for the Service. District shall read such meter at the end of each month/two months. For the applicable monthly/bi-monthly billing period, District shall submit a monthly/bi-monthly bill to Customer, which sets forth the quantity of groundwater, delivered and the quantity of water delivered, if any, through the process under the Previous Agreements. Customer shall have the right to read and/or inspect the meter. District shall have the meter tested from time to time, as determined in its discretion, to determine if it is accurately recording the quantities of groundwater delivered to Customer. If the meter is determined by such a test to be operating inaccurately by approximately five percent (5%) or more of the manufacturer's recommended flow range, District shall have the meter repaired or replaced and the cost of such repair and replacement shall be borne by District.

(e) Billing and Payment District shall bill Customer for the Service in each calendar month pursuant to the payment terms and billing procedure set forth in District's Rules and Regulations and this Agreement and Customer shall pay said bills as required under the Rules and Regulations and this Agreement.

4. Term and Termination The term of this Agreement shall be for the period of thirty (30) years from the date of full execution of this Agreement by both parties, unless earlier terminated as set forth under this Agreement. The term may be extended for two (2) additional thirty (30) year periods upon the mutual written agreement of both parties prior to expiration of the original term or the first extended term. Upon sixty (60) days prior written notice to Customer, District may terminate the Program and this Agreement in the event District makes the determination provided for under Section 3(b)(i). In addition, this Agreement may be terminated in the event of a breach of this Agreement. In the event of a breach, the non-defaulting party shall submit a written notice of default to the defaulting party setting forth the breach or default and providing the defaulting party with thirty (30) days to cure said breach. In the event the defaulting party fails to cure said breach within the cure period, as said period may be extended by mutual agreement, the non-defaulting party may elect to terminate this Agreement and/or pursue any and all other remedies in law or equity. In the event of expiration or termination of this Agreement, either party may elect to have the District Facilities removed from the Customer Property. Any such removal shall be conducted by District at District's sole cost and expense. Following any such removal, District shall reasonably restore any ground on the Customer Property disturbed by the construction or operation of the District Facilities to its reasonable pre-disturbance state, at its sole cost and expense, reasonable wear and tear excepted. At all times including, without limitation, subsequent to the term of this Agreement, District shall own all right, title and interest to any and all District Facilities and any appurtenances thereto.

5. CEQA and NEPA Compliance District and Customer acknowledge and agree that the obligations of the parties under this Agreement are conditioned on District completing any applicable proceedings under the California Environmental Quality Act ("CEQA") and the National Environmental Protection Act ("NEPA") which may be required and the successful defense of any challenge, or the expiration of any challenge period, which may apply to CEQA or NEPA compliance in connection with this Agreement and the Program.

6. Compliance with Rules and Regulations This Agreement may be terminated by District in the event of Customer's breach of any of the provisions of this Agreement. In addition, Service may be discontinued, or otherwise restricted, pursuant to the provisions of the Rules And Regulations.

7. Indemnification Each party shall indemnify and hold harmless the other party from and against any and all liability, claims, losses, actions, and expenses (including attorneys fees), which may arise out of or are incident to, any acts, omissions or willful misconduct of said party in the performance of this Agreement and the Program.

8. Impact of this Agreement on the Previous Agreements In the event of any conflict between the provisions of this Agreement and the provisions of the Previous Agreements, the provisions of this Agreement shall be controlling. Notwithstanding the foregoing, nothing herein contained shall be construed to limit the amount of water service as established pursuant to the Previous Agreements, it being the express intent of the parties that the total amount of water service to which Customer may be entitled in the future as set forth under the Previous Agreements shall not be adversely impacted or otherwise limited by this Agreement. In the event water service from groundwater, as contemplated under this Agreement and the Program, is not provided at any time due to any of the reasons set forth in this Agreement, then Customer shall remain entitled to receive Service, as established pursuant to the Previous Agreements, which includes water supplies from Lake Arrowhead.

9. General Provisions

(a) Incorporation of Recitals The Recitals set forth in this Agreement are incorporated herein and made an operative part of this Agreement.

(b) Attorneys Fees In the event of any controversy, claim, or dispute between the parties which arises out of, or relates to, this Agreement or to the breach of the same, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs.

(c) Amendments This Agreement may not be amended except by a subsequent writing, which is signed by the parties.

(d) Successors and Assigns Neither party shall assign or otherwise transfer any rights under, or interest in, this Agreement without the written consent of the other party, which consent shall not be unreasonably withheld. Unless specifically stated to the contrary in any

consent, no assignment or transfer will release or discharge the assignor from any duty or responsibility under this Agreement.

(e) Severability Any provision or part of this Agreement held to be void or unenforceable shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon the parties.

(f) Waiver Non-enforcement of a provision by either party shall not constitute a waiver of that provision, nor shall it affect enforceability of that provision or the remainder of this Agreement.

(g) Counterparts This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

(h) Entire Agreement This Agreement sets forth and contains the entire understanding and agreement of the parties, and there are no oral or written representations, understandings or ancillary covenants, undertakings or agreements which are not contained or expressly referred to herein.

(i) Interpretations and Governing Law This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California.

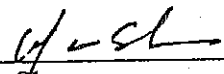
(j) Jurisdiction and Venue Any action at law or in equity arising under this Agreement or brought by a party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Agreement shall be filed and prosecuted in the Superior Court of the County of San Bernardino, State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth below.

(signatures are on the following page)

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

By:

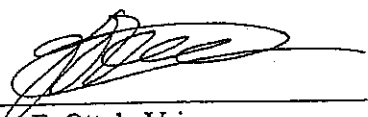

Marvin Shaw
General Manager

Dated:

6/24/04

LAKE ARROWHEAD COUNTRY CLUB

By:


Herman F. Ott de Vries
General Manager

Dated:

6-18-04

EXHIBIT A
CUSTOMER PROPERTY

(SEE ATTACHED)

EXHIBIT B

DISTRICT FACILITIES AND RIGHTS OF WAY

(SEE ATTACHED)

EASEMENT 1

AN EASEMENT, 10.00 FEET IN WIDTH, FOR INGRESS, EGRESS, WATER LINES, WATER WELLS AND INCIDENTAL PURPOSES FOR THE MAINTENANCE OF SAID WATER LINES AND WATER WELLS, OVER A PORTION OF THE SOUTHWEST QUARTER OF SECTION 17 AND THE NORTHWEST QUARTER OF SECTION 20, TOWNSHIP 2 NORTH, RANGE 3 WEST, SAN BERNARDINO BASE & MERIDIAN, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, THE CENTERLINE OF SAID EASEMENT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE MOST WESTERLY CORNER OF LOT 114, TRACT 6489, AS PER PLAT RECORDED IN BOOK 83, PAGES 76 THROUGH 83, INCLUSIVE, OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, SAID CORNER ALSO BEING A POINT ON THE EASTERLY RIGHT OF WAY OF BRENTWOOD DRIVE, HAVING A HALF-WIDTH OF 25 FEET, AND ALSO BEING THE BEGINNING OF A 175.00 FOOT RADIUS, NON-TANGENT CURVE, A RADIAL OF SAID CURVE BEARS SOUTH 59°56'30" EAST;

THENCE SOUTHWESTERLY ALONG SAID CURVE, AND THE SAID EASTERLY RIGHT OF WAY OF SAID BRENTWOOD DRIVE, THROUGH A CENTRAL ANGLE OF 4°56'21" AN ARC DISTANCE OF 15.09 FEET;

THENCE SOUTH 63°22'15" EAST, 42.67 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 26°37'45" WEST, 7.50 FEET;

THENCE SOUTH 40°11'51" WEST, 63.48 FEET;

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THENCE SOUTH 27°26'38" WEST, 124.08 FEET;
THENCE SOUTH 80°27'25" WEST, 26.29 FEET TO THE POINT OF TERMINUS.

SUBJECT TO ALL RESERVATIONS, RESTRICTIONS, EASEMENTS, OFFERS OF
DEDICATION, RIGHTS AND RIGHTS OF WAY OF RECORD.

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AN EASEMENT, 10.00 FEET IN WIDTH, FOR INGRESS, EGRESS, WATER LINES,
WATER WELLS AND INCIDENTAL PURPOSES FOR THE MAINTENANCE OF SAID
WATER LINES AND WATER WELLS, OVER A PORTION OF THE WEST HALF OF
SECTION 17, TOWNSHIP 2 NORTH, RANGE 3 WEST, SAN BERNARDINO BASE &
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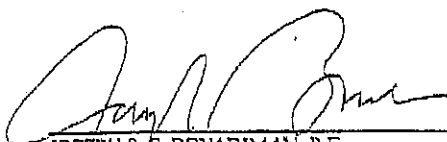
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JOSEPH S. C. BONADIMAN, P.E. 2-17-04
LICENSE EXPIRES 3-31-04 DATE

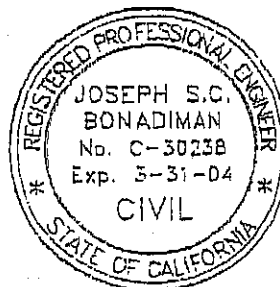


EXHIBIT B

EXHIBIT "A"

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JOSEPH S. C. BONADIMAN, P.E.
LICENSE EXPIRES 3-31-04

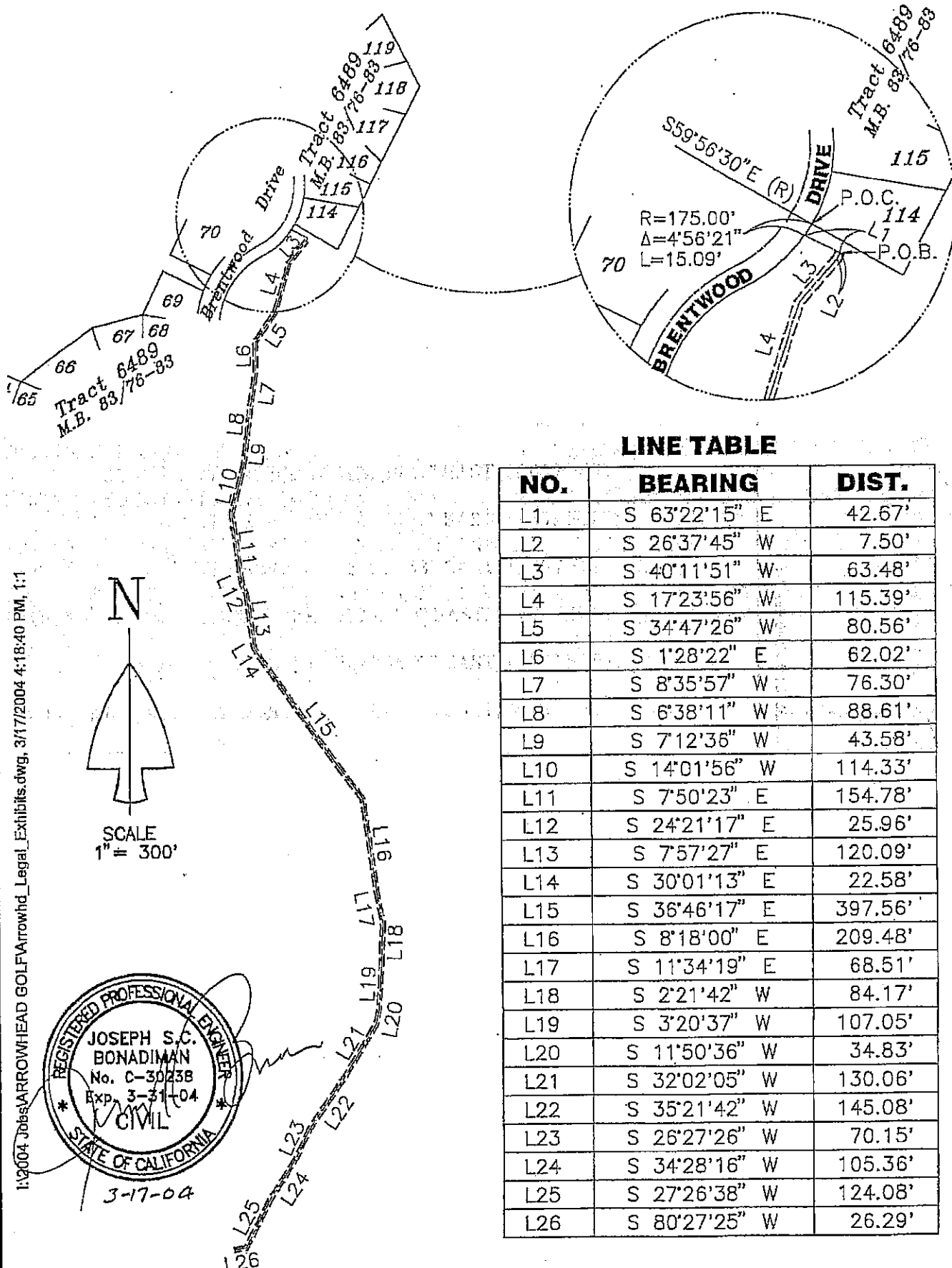
2-17-04
DATE



EXHIBIT 'B'

EASEMENT 1

SHEET 1 OF 2



LINE TABLE

NO.	BEARING	DIST.
L1	S 63°22'15" E	42.67'
L2	S 26°37'45" W	7.50'
L3	S 40°11'51" W	63.48'
L4	S 17°23'56" W	115.39'
L5	S 34°47'26" W	80.56'
L6	S 1°28'22" E	62.02'
L7	S 8°35'57" W	76.30'
L8	S 6°38'11" W	88.61'
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L22	S 35°21'42" W	145.08'
L23	S 26°27'26" W	70.15'
L24	S 34°28'16" W	105.36'
L25	S 27°26'38" W	124.08'
L26	S 80°27'25" W	26.29'

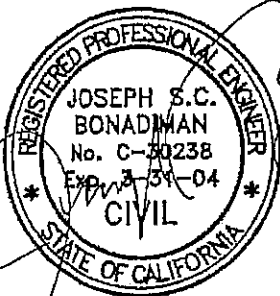
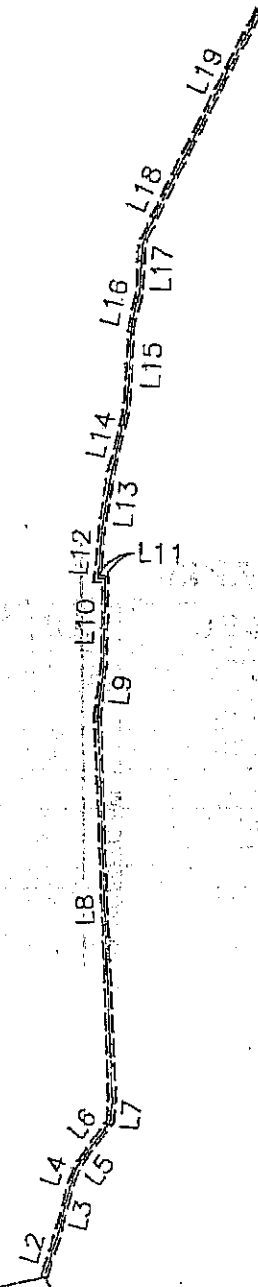
EXHIBIT 'B'

EASEMENT 2

SHEET 2 OF 2

LINE TABLE

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L1	N 78°59'44" E	308.95'
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L5	N 36°30'46" E	38.28'
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L19	N 27°01'20" E	246.30'



3-17-04

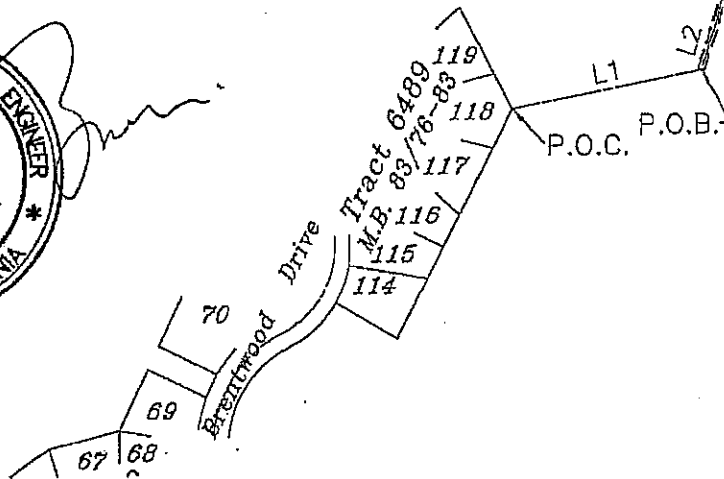
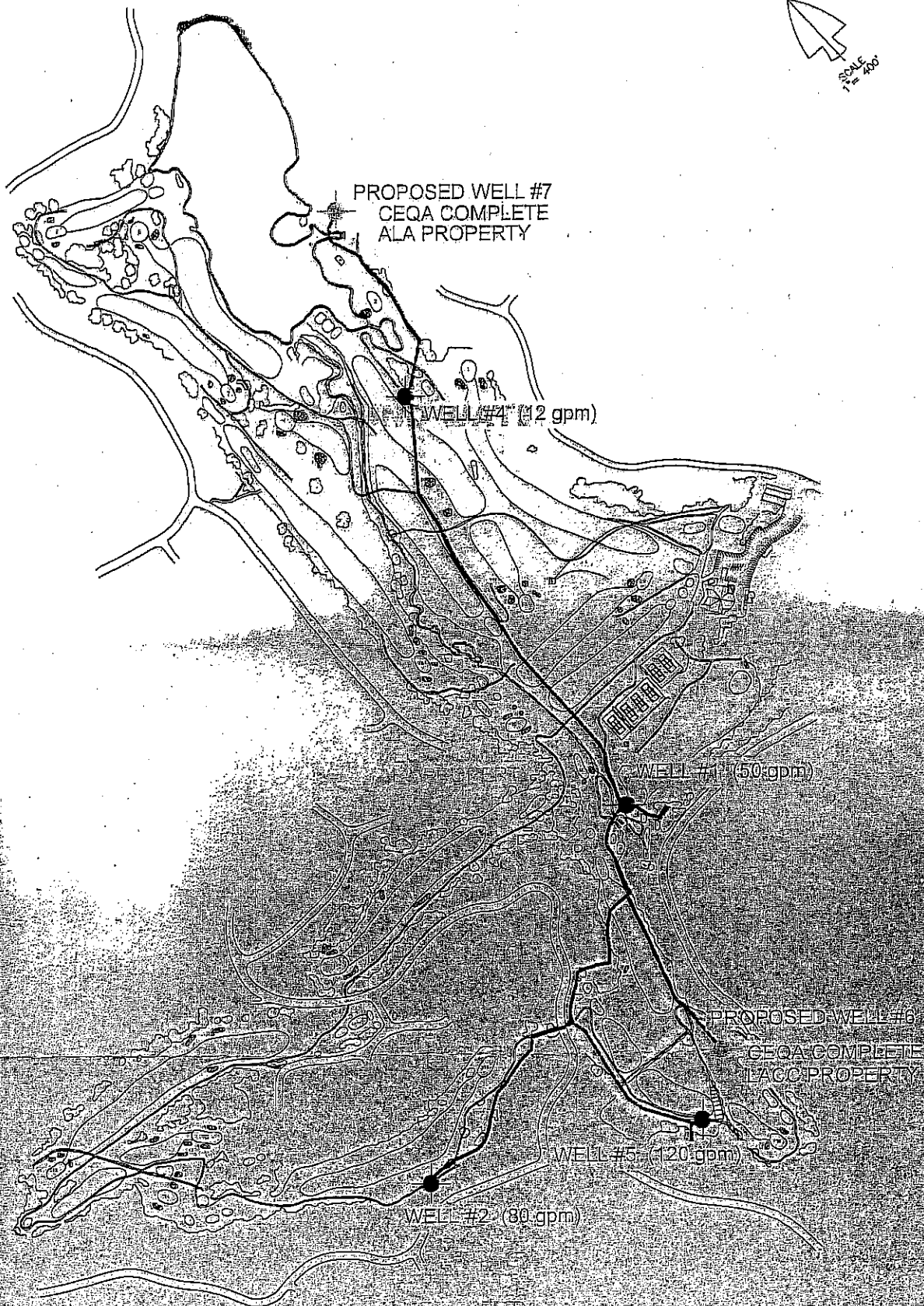


EXHIBIT C

LACC GROUND WATER WELLS



LEGEND

- EXISTING WELL
- ✱ PROPOSED WELL

Lake Arrowhead



EXHIBIT D

Exhibit "D"

The recycled water facilities that the LACSD shall plan, design, construct, install, operate and maintain generally include the following:

1. Recycled water improvements at the Grass Valley Wastewater Treatment Plant (GVWWTP) including buffer tank, microfiltration (MF) membrane treatment system, ultraviolet (UV) disinfection system, recycled water storage pond and recycled water pumping system at an approximate cost of \$6.2 million.

2. Recycled water delivery pipeline from GVWWTP to LACC golf course to the delivery point in the vicinity of the existing LACC irrigation pump station near Grass Valley Lake and LACC hole #2 at an approximate cost of \$2.6 million.

Grass Valley Wastewater Treatment Plant Expansion & Upgrade

RECYCLED WATER SYSTEM PHASE I PROJECT NO. XXXX OPTION 1	SHEET NO. 1 OF 1 REV NO. 1/1/1993 DRAWING NO.
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